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NEWS SUMMARY

GENERAL

Inquiry call over Salford blasts

AN inquiry into the explosions and fire which wrecked a Salford warehouse has been *demanded by the town's MPs* Frank Allaun and Stanley Orme.

More than 700 people were evacuated from their homes as the blasts rocked the town centre. Seven or eight different chemicals were stored in the building and it is thought the blasts may have been caused by sodium chloride.

Labour MP Mr Allaun said "It is horrifying to think that dangerous chemicals were stored in one of the most thickly *populated areas of Europe.*"

Quiet welcome

Margaret Thatcher received a quiet welcome in Hong Kong after being told by Chinese leaders that they intended to recover sovereignty over the colony. Page 2

Angola warning

Angola accused South Africa of bombing Angolan military units near Namibia and said that it expects a new invasion. Page 2

Guerrilla slain

Spanish police killed a Basque guerrilla and captured three others after a gun battle in a San Sebastian flat.

No trace of sub

Swedish naval vessels found no trace of a mysterious submarine off Gothenburg after fishermen reported seeing a periscope.

Brisbane march

About 3,000 aboriginis marched through Brisbane in a demonstration aimed at using the forthcoming Commonwealth Games to highlight their land dispute with the Queensland Government.

Japanese pledge

Japanese Premier Zenko Suzuki on a visit to Peking, said Jspan would amend school textbooks which gloss over Japanese wartime atrocities on China.

Soccer fans jailed

A Bangladesh court sentenced 54 football fans to prison terms ranging from six months to five years after a riot at a match in Dacca.

Sikhs' protest

About 5,000 Sikhs protested, in London, at former Master of Rolls Lord Denning's decision to allow a headmaster to ban a boy who wanted to wear a turban.

Move on cars

Vauxhall Motors plans early talks with unions to head off a threat to black imports of the General Motors' Spanish-built small car. Page 7

Raid relics sale

Relics from the Great Train Robbery are being auctioned in Farnborough, Hampshire, today. Included is an ex-Army lorry with a false bottom adapted by Ronald Biggs.

Horse sense

American breeders bought 14 traditional cart-horses for £35,000 from the Shire Horse Society, who said it reflects growing U.S. interest in pedigree shires.

Briefly . . .

Two dogs found at Lydden motor racing circuit near Dover have been quarantined under the Rabies Act.

About 100 stone throwing youths went on the rampage in Zurich, after a protest about the demolition of a youth centre.

Genetic engineering activities in Britain will continue to be monitored by the Government.

BUSINESS

Output recovery prospects 'gloomy'

● *OUTPUT and* orders prospects remain gloomy, according to a CBI survey of 1,700 companies. But it suggests industry may be settling on a plateau. Page 5

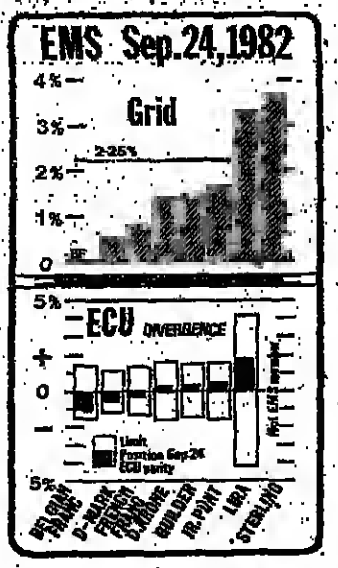
● U.S. statistics due out this week will indicate the continuing weakness of the economy and suggest there is no significant recovery in sight. Page 2

● ARGENTINA has started talks with international bank creditors on its $37bn (£21.66bn) foreign debt. Back Page; Bonn lifts arms ban, Page 3

● FRANCE today begins formal syndication of its $4bn (£2.34bn) 10-year Eurocredit which *attracted $5.7bn subscriptions* from lead managers. Page 19

● JAPAN is considering the introduction of West German-style promissory notes—long-term privately placed paper—to finance the 1982 budget deficit. Page 20. Samurai bonds market, Page 19

● FOR THE third week running a different currency has fallen to the lowest position in the European Monetary System. In the week ending September 10 the Danish krone replaced the D-mark at the bottom of the system, the following week the D-mark was again the weakest currency, to be replaced this week by the Belgian franc. The krone has recovered quite strongly, and is around the middle of the system, while the French standby $4bn loan continues to keep the pressure off the French franc. The Italian lira was again very firm at the top of the system.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● INTERNATIONAL COFFEE Agreement was resolved in London on Saturday after three weeks of negotiations. Back Page; Price slump averted, Page 5

● INTERNATIONAL ENERGY Agency officials are searching for about 2m barrels a day of "*missing*" crude oil. Back Page

● SALEN, Swedish shipping group, is spending about $240m (£141m) on 12 refrigerated cargo ships to be built in Japanese and South Korean shipyards. Page 3

● *MIDLAND BANK is taking* a 69 per cent stake in Handelsfinanz, a small Swiss bank, to fill what it sees as a gap in its European commercial banking operations. Page 5

● VINERS receivers have agreed in principle to sell the cutlery manufacturer to a consortium of investors. Page 17

CONTENTS

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Demands grow for Sharon's dismissal and massacre probe

BY DAVID LENNON IN TEL AVIV

DEMANDS ARE growing in Israel for the dismissal of Gen Ariel Sharon, Defence Minister, and for a full state commission of inquiry into the massacre of Palestinian refugees in Beirut.

A number of ministers—possibly as many as five—have abandoned their opposition to a judicial investigation of Israel's role in the slaughter. At tomorrow's Cabinet meeting, after the Yom Kippur break, *they will demand that a full-scale* inquiry commission be appointed to discover what *really happened in the* Sabra and Chatila refugee camps.

Over the weekend, hundreds of thousands of Israelis demonstrated their anger and distress at what they believe is an attempted government cover-up of the facts. According to the Tel Aviv police, the city's Municipal Square was packed by 400,000 people in the largest protest rally in the history of the Israeli state.

The huge turnout at the rally by the *opposition Labor Party* and the Peace Now movement underscored the Government's failures to deflect public anger by trying to set up a non-statutory examining body headed by the president of the supreme court.

Aware of the public mood of disgust, the leaders of the National Religious Party and the Tami Party, both junior partners in the coalition Government of Mr Menachem Begin, say that they will now demand that the Premier agree to appoint a fully-fledged judicial commission for inquiry into the events in Beirut ten days ago.

If they back their demond with a threat to quit the Government, Mr Begin will either have to reverse his earlier refusal to set up an inquiry commission—or accept the fall of the Government.

The position of Gen Sharon *also appeared to be increasingly* shaky as his attempts to defend himself only served to reveal the degree to which he was involved in the decision to send the Phalangist forces into the refugee camps.

Criticism of Gen Sharon is not restricted to the opposition. It is also being voiced by some cabinet ministers and within the army senior command.

Despite his well-known loyalty to colleagues, Mr Begin may have no choice but to let his Defence Minister go in an attempt to staunch public anger over Israel's involvement in the massacre.

The degree of hostility towards Gen Sharon was evident at Saturday's demonstration, when the crowd exploded into applause every time a speaker called for his dismissal.

MrTsali Reshef, the leader of Peace Now, declared to ringing cheers: "This Government has made us partners to a

Continued on Back Page

Palestinians face bleak future, Page 3

Israelis to pull back

ISRAEL *indicated yesterday* that its troops will be pulled back from Beirut over the next few days, possibly by Wednesday. Confusion over the exact timing has meant that elements of the French and Italian contingents of the 3,000-strong force have not yet been deployed even though some are in Beirut. The 1,500 U.S. marines who will make up the U.S. contribution to the force were waiting offshore *last night.*

Israeli soldiers were much in evidence yesterday. It is still unclear to what positions the Israelis will withdraw.

In Washington, Mr Caspar Weinberger, U.S. Defence Secretary, said on television he expects and wants the Israelis to pull out by Wednesday. He said they should withdraw south of the airport and hand it to the Lebanese army.

Free Democrats 'poll only 3%' in West German state

BY MAX WILKINSON

THE DECISION by West Germany's tiny Free Democrat Party to end its long alliance *in government* with the Social Democrats has proved little short of disastrous, according to the *first computer predictions* from yesterday's election in the State of Hesse.

According to computer estimates given by both television channels yesterday evening, the Free Democrats managed around 3 per cent of the poll failing to reach the 5 per cent needed by law for representation in parliament. Early estimates show no clear majority for the Christian Democrats.

The decision of the Hesse Free Democrats to end *their* 12-year alliance with the state's Social Democrats to ally with the conservative Christian Democrats, was followed at federal level on September 17 when the Free Democrats left Chancellor Helmut Schmidt's coalition.

The implication of yesterday's vote in Hesse, one of the most important provincial elections since the war, is that the Free Democrats would be extinguished as a political force at *a general election.* The poor performance of the Free Democrats is also likely to upset plans for a vote of no confidence in Herr Schmidt's Rump administration at the end of this week.

Herr Hans Dietrich Genscher, the Free Democrat Leader in Bonn, is likely to face greater pressure from the left of his party over the decision to end the alliance. He may not be able to produce the 23 Free Democrat votes which the Christian Democrats, and their Bavarian sister party the Christian Socitl Union, need to unseat Herr Schmidt.

However, the predicted results of Hesse have only added to the general political uncertainty. As well as the early estimates showing no clear majority for the

Christian Democrats—who were expected to drop about a point

Continued on Back Page

Deal 'saves' Bendix and Marietta

BY RICHARD LAMBERT IN NEW YORK

BENDIX AND Martin Marietta have been saved from possible disaster by the peace agreement with Allied Corporation announced on Friday night, Mr Edward Hennessey, Allied's chairman, said in New York on Saturday.

The takeover battle between the two companies had become potentially very damaging to the two companies, their employees and stockholders, he said.

Under the terms of the deal, Allied will buy all Bendix shares owned by Marietta and will offer a package of its own securities with an indicated value of $85 (£50) a share for each remaining Bendix share. The transaction will cost Allied some $1.9bn.

Marietta in turn will buy back a large portion of the holding *in its own shares owned by* Bendix, and put them for the time being into its treasury. That part of the holding which it does not buy back will be owned by Allied, as the new parent of Bendix, and will give Allied a 39 per cent share in Marietta's equity.

The exchange of stock between Bendix and Marietta will be made on the basis of acquisition costs for each company.

Allied has agreed to accept certain restrictions on its rights to vote, acquire and sell its Marietta stock over a 10-year period.

Bendix and Marietta have agreed to settle all litigation and other quarrels between them. Mr William Agee will remain chairman of Bendix and *join the Allied board along with* two other Bendix executives. Allied will have the right to appoint two executives to Marietta's board.

United Technologies, the third company which had been bidding for Bendix in recent weeks, said it was pleased that Marietta would remain independent. But it added that it would study the details of the agreement before making any further comment.

Mr Thomas Pownall, chief executive of Marietta, said the company had assumed substantial debt in fighting off the Bendix bid. It would "take all proper steps, on the most realistic timetable, to reduce the debt," and a number of different options were available.

Feature, Page 15

Howden insurance fund bid fails

BY *JOHN MOORE, CITY CORRESPONDENT*

THE 3,800 members of Lloyd's underwriting *syndicates* managed by Alexander Howden Group have been unable to recover $35m (£20.5m) in funds from insurance companies managed by the Howden group to help them meet insurance claims.

The money which the syndicates are seeking from Howden insurance companies is lodged in roll-over funds with the main Howden insurance company, Sphere Drake.

The funds, which were created out of the syndicates' *money*, were designed to smooth out the effects of bad underwriting years by providing additional resources when the syndicates faced large claims.

Unless the funds are recovered *the syndicates*—number 127 and a sister syndicate—will have to meet claims out of their existing cash resources, reinsurances, and the members' Lloyd's deposits.

If these funds dry up insurance claims will have to be met out of the private wealth of the individuals, who, under Lloyd's rules, are all liable to the full extent of their personal means.

The new twist in the drama at Howden, one of the worst crises which Lloyd's of London *has had to face in modern* times, comes in the wake of the dismissal of the group's star underwriter for the syndicates, Mr Ian Posgate.

His dismissal last week came after the U.S. parent company of *Alexander Howden*, Alexander and Alexander Services Inc.—the world's second-largest insurance broker—alleged that $55m had been diverted by Howden over a seven-year period to companies secretly controlled by Mr Kenneth Grob, *the former Howden chairman,* Mr Allan Page, Mr Ronald Comery, Mr Jack Carpenter and Mr Posgate, all former Howden executives.

The money, it was alleged, was channelled from Lloyd's syndicates and insurance companies under the management of Howden.

The U.S. group has transferred *all outstanding insurance* liabilities from the Panamanian

Continued on Back Page

Plessey buys into U.S. market

BY JASON CRISP

PLESSEY has agreed to buy a substantial part of Stromberg-Carlson, a medium-sized U.S. telecommunications company which is a leading supplier of rural digital exchanges to independent telephone companies.

Plessey is expected to pay United Technologies, the large *U.S. conglomerate, about £33m* for the public telephone exchange business of Stromberg-*Carlson, its subsidiary*. It will be the first time a UK company has entered the U.S. public exchange *market and could lead to sales* and manufacture of System X, the British-developed digital exchange, in North America.

United Technologies bought Stromberg-Carlson as part of its purchase of General Dynamics' telecommunications business in June this year. Plessey had earlier tried to buy the company from General Dynamics.

Stromberg-Carlson has been losing money for a number of years, particularly because of the high cost of developing its digital exchange. Last year it is estimated to have lost £9m. Sales this year are estimated at £88m.

United Technologies will retain Stromberg-Carlson's private exchange business and the distribution organisation representing *1,600 employees. Plessey will* manufacture the private exchanges in the U.S. for United Technologies.

The move will substantially strengthen Plessey's international position in the fast-growing telecommunications markets. There is to be an extensive exchange of technology between the two companies.

Plessey believes the breaking up of American Telephone and *Telegraph will open up* considerable opportunities for public exchanges in the U.S.

It would like to sell System X, which was jointly developed by British Telecom, Plessey, GEC and Standard Telephones and Cables at a cost of about £200m. Although it was designed with world markets in mind, it has not yet been notably *successful* in *export* markets.

Mr Hubert Faure, executive vice *president* of United Technologies' building systems sector, said: "The sale of the central office switch business will enable United Technologies to focus its resources on the development of advanced business telephone communications systems for the U.S. and abroad."

Background, Page 5; Lex, Back Page; Cable and Wireless contract, Back Page

Labour set to back Foot over Militant

BY PETER RIDDELL AND JOHN LLOYD

MR MICHAEL FOOT, the Labour leader, is today expected to win overwhelming backing from the party conference in Blackpool for his proposals to set up a register of approved groups and to expel the leadership of the Trotskyite Militant Tendency.

The Labour leadership will use the rest of the conference *to argue* that the decision means Labour is now a plausible alternative government.

While the *militant* controversy is dominating all pre-conference discussion, the party is likely to commit itself to several policy proposals—on public ownership, the economy and defence—which confirm the leftward movement since the last election.

In particular, the party's national executive committee last night decided by a margin of 20 to seven to accept a motion requiring the closure of all nuclear bases, British or U.S. in the UK, the extension of nuclear free zones and the dismantling of the defence *sales office.*

This may be approved by the two-third majority necessary to become part of the party's programme. If so, it would create a difficult position for opponents of unilateralism such as Mr Denis Healey, Mr Peter Shore and Mr Roy Hatersley.

The ladership looks like winning support for its attack on *Militant* by a margin of between 4-1 and 5-1. This follows the decision, yesterday morning, by the Transport Workers' delegation to reverse the recommendation of its executive last week to oppose the register.

Mr Moss Evans, the union's general secretary said the support for the register yesterday reflected members' own experience of Militant.

UCATT, representing the building workers, and TASS *(the white-collar section) of* the engineers are the only *sizable* unions likely to oppose the register, although *NUPE*, the public workers' union, will not make up its mind until this morning. The opponents are likely to be lucky to attract much more than 1m votes.

There is, however, disagreement about how wide the expulsions should go. Mr Evans wanted the action limited to a few, while Mr Terry Duffy, of *the engineers yesterday said* he believed the actions should be against the lower echelons as well as the higher.

The parliamentary leadership of the centre right wants the expulsions to include the eight parliamentary candidates who support Militant and Mr Healey said yesterday that he wanted the action to cover the Militant organisers.

The national executive proposals refer only to the central group who run the Militant organisation.

During his speech in today's debate on the subject, Mr Foot is not expected to be any more specific about who should be expelled beyond this formula. The decisions on implementation will be left to the next national executive committee.

The Militant debate is likely to be marked by considerable procedural wrangling since the opponents want conference to discuss the motions delaying the action.

The other key event of the week will be the election of the national executive committee to be announced tomorrow. This will *determine how vigorously* Militant is pursued.

At present there's a narrow majority *of* Mr Foot's supporters against the far left led by Mr Tony Benn. Both sides were last night talking about making one or two gains on the executive.

Mr Les Huckfield, of the far left looks almost certain to lose his seat to Mr John Evans, a close aid of Mr Foot, and the centre right are hopeful of getting Mrs Anne Davis elected to the women's section of the executive.

In contrast, Miss Joan Lestor, a supporte rof Mr Foot, may be vulnerable in the women's section, and there could be one or two changes in the trades union section.

Mr Foot is due to make his major policy speech tomorrow afternoon. He will launch a campaign centred on Labour's 284-page policy programme and a strong attack on Mrs Thatcher about unemployment and the health services dispute.

This issue and the *row* about the think tank report on the welfare state were yesterday described by a senior Labour official as a Godsend for the party in its search for unity.

The debates are also likely to reveal strains behind the unity, not only on defence but also over incomes policy.

Labour centrists, such as Mr Shore and Mr Healey, believe that the party has to have a coherent policy on incomes if it is is to be plausible as an alternative government, but its stance was undermined by contradictory votes on the issue at the TUC annual congress earlier this month.

Labour conference news, Page 6; Labour news, Page 7

OVERSEAS NEWS

Britain in talks on China N-plant, says Thatcher

BY ROBERT COTTRELL IN HONG KONG

MRS MARGARET THATCHER arrived in Hong Kong yesterday, the first British Prime Minister to visit Hong Kong in its 140-year colonial history.

Mrs Thatcher, who was met by Sir Edward Youde, the governor, flew in from Canton after talks with Chinese leaders on the future of the colony.

She will inevitably face continued questioning on the extent to which her talks in Peking last week may have clarified the question of Hong Kong's long-term status.

Both countries have agreed to enter into formal negotiations on the future of the colony, but China repeated during Mrs Thatcher's visit its intention of reasserting sovereignty over the territory and negotiations on the subject are to continue through diplomatic channels.

Speaking in Canton yesterday following meetings with provincial leaders including Governor Liu Tianfu, Mrs Thatcher said Britain was involved in "preliminary negotiations" for construction of a nuclear power station in Guangdong Province, southern China.

The power station, which could cost an estimated $4bn (£2.33bn) has been under consideration for three years as a joint venture between China Light and Power, one of Hong Kong's two electric utilities, and the Guangdong Power Company.

Lord Kadoorie, chairman of China Light, has said the size of the project makes it "impossible for it to be implemented except on a government-to-government basis."

Copies of a feasibility study were presented to British and Chinese governments in December 1980. The study called for the station to include two 900 Mw pressurised water reactors.

A China Light representative said last night the nuclear power station project was still at the study stage.

Last year, Britain's General Electric Company won a £700m contract to supply turbine generators for China Light's Castle Peak "B" power station in Hong Kong.

The Castle Peak "B" power station had significant political overtones because its financing package extended beyond 1997, the year in which Britain's lease over much of Hong Kong expires. The Guangdong nuclear power station would also have wide-ranging implications for Hong Kong because Hong Kong would be the market for the majority of the power generated.

Interest in the Guangdong power station project quickened last month when, during a visit to the province by Sir Edward Youde, a Chinese official was reported to have said that the project had received a top-level go-ahead from Peking's state council.

Sir Edward subsequently said the project had not been specifically raised in his talks then with Governor Liu but that their discussions had covered, in general terms, issues of power generation.

Yesterday Mrs Thatcher also attended the signing of a letter of intent between Guangdong Posts and Telecommunications administration, the joint service company of the South China oilfield, and Britain's Cable and Wireless. The parties are to form a joint venture company to provide telecommunications facilities for the development of southern China's offshore oil reserves.

Japanese textbook pledge

PEKING — Japanese Prime Minister Zenko Suzuki yesterday told Chinese Premier Zhao Ziyang that Japan would correct errors in controversial new school textbooks which gloss over Japanese atrocities in China before and during World War Two.

A Japanese official said Mr Suzuki, during two hours of talks, also told Premier Zhao the vast majority of Japanese people were not militarists and wanted to live in peace.

Mr Suzuki arrived in Peking yesterday for an official visit to mark next Wednesday's 10th anniversary of the restoration of Sino-Japanese relations.

The two leaders devoted their first round of talks to bilateral affairs because of the importance of the textbooks dispute, which had threatened to mar Mr Suzuki's visit.

Reuter

Sino-Soviet thaw urged by Brezhnev

By Anthony Robinson in Moscow

PRESIDENT Leonid Brezhnev of the Soviet Union yesterday used a major speech in the Azerbaijan capital of Baku to underline the Soviet Union's desire for a normalisation of relations with China.

"We deem it very important to achieve a normalisation, a gradual improvement of relations between the Soviet Union and the People's Republic of China on a basis that I would describe as that of commonsense, mutual respect and mutual advantage," Mr Brezhnev said.

This is the second time in six months the Soviet leader has called for improved relations with China and comes shortly before the planned visit to Peking next month of deputy Foreign Minister Leonid Ilyechev.

Western diplomats believe the Soviet desire to mend bridges with China has been heightened by the steady deterioration in relations with the West, particularly the U.S.

Soviet-U.S. relations are now at their lowest ebb for decades. The Soviet Union is also worried about relations with the French Government and the prospect of a much less sympathetic West German government.

The Soviet leaders have just played host to Indian Prime Minister Indira Ghandhi and Mr Brezhnev noted with satisfaction in his speech that the visit had shown that "friendship and co-operation with India rest on a firm basis and have good prospects."

Mr Brezhnev went to Baku to bestow the Order of Lenin on the Azerbaijan Republic for its economic achievements. But the occasion proved to be less than the hoped for full-scale triumph for the republic's energetic, young party boss, 57-year-old Geydar Aleyev.

Soon after Mr Brezhnev started speaking live on nationwide TV Mr Aleyev and other leaders sitting behind Mr Brezhnev looked up with expressions of shock and horror.

Somebody had given Mr Brezhnev the wrong first page of his speech. An embarrassed aide stopped Mr Brezhnev in full flow and the cameras panned sharply to an audience which had been waved to its feet and told to clap enthusiastically.

"Sorry I will read that again," said Mr Brezhnev to grins and applause as the audience sat down.

Saddam Hussein hints at Iraqi rapprochement with Syria

BY ROGER MATTHEWS IN BAGHDAD

PRESIDENT SADDAM Hussein of Iraq yesterday hinted at a possible rapprochment with Syria, his most bitter Arab enemy, and emphasised his desire for closer relations with Western Europe.

The President's remarks, during a two-hour interview with British journalists, emphasised the shift in Iraqi foreign policy provoked by the war with Iran which last week ended its third year.

Iraq is bracing itself for another massive Iranian attack which is expected at any moment. An Iraqi officer, commanding an armoured brigade east of the port of Basra, said on Friday that approximately 10,000 Iraqi troops had been killed during July when a five-stage Iranian attack across the border had been thrown back. Iranian losses were said to be substantially greater.

Although Iraq has been seeking additional weapons supplies since early in the year, President Hussein said that improved relations with Britain and France in particular had extended over a much wider field.

Iraq has been asking to buy a range of weaponry from Britain, including spare parts for Chieftain tanks captured from Iran, and Rapier missiles. However, President Hussein said that if there were political reasons in London why the sale could not go ahead now, he was prepared to wait.

He offered no hope of an early end to the war and accused Iran of attempting to create an empire in the Middle East under the guise of religion. Algerian attempts to mediate had been welcomed by Iraq "but nothing has crystallised which is worth publishing."

But the Iraqi leader did imply that progress may be near towards settling the bitter dispute with Syria, which has backed Iran during the war and closed the pipeline carrying up to 500,000 barrels a day of Iraqi crude oil for export.

President Hussein held a long meeting with President Hafez al-Assad of Syria during the recent Arab summit in Morocco and disclosed yesterday that he had accepted an offer of mediation from King Fahd of Saudi Arabia.

King Fahd had pledged to attempt to arrange a meeting between the two presidents to discuss their differences.

The loss of revenue to Iraq caused by the pipeline's closure has forced Saudi Arabia, Kuwait and other Gulf states to increase their already substantial financial aid to Baghdad, now believed to have reached close to $30bn (£17.4bn).

President Hussein condemned the U.S. for its continued support of Israel, accusing Washington of being an accomplice in the invasion of Lebanon and the massacre of Palestinians in Beirut. He claimed to have extensive proof of the connections between the U.S. and "the crimes of Zionism" and also promised revenge for the Israeli destruction of the Iraqi nuclear reactor near Baghdad.

He said he has rejected offers from unnamed people to assassinate Israeli scientists in retaliation for Iraqi scientists who had been murdered. But he did confirm that Abu Nidal, the Palestinian leader, who has been accused of numerous acts of terrorism, did maintain an office in Baghdad and was allowed to enter the country freely.

Saddam Hussein . . . long talks with Assad

President Hussein said that Iraq was opposed to terrorism. However, it welcomed any Arab militant to Baghdad and was not responsible for what such people might do in other countries.

Abu Nidal was sentenced to death in 1974 by Fatah, the largest Palestinian guerrilla organisation, for plotting to kill Mr Yassir Arafet, the PLO chairman, and has most recently been accused of the attempt on the life of Israel's ambassador to London at the beginning of June. It was that incident which sparked off Israel's invasion of Lebanon.

Decline in U.S. output expected

By Anatole Kaletsky in Washington

OFFICIAL STATISTICS due to be released this week will indicate the continuing weakness of the U.S. economy and suggest there is no significant recovery in sight.

The closely watched index of leading economic indicators, which normally points to economic upturns about three months before they occur, will show an August fall of about one percentage point when it is released on Thursday, according to Commerce Department officials over the weekend.

This decline, coming after a fall in July following three consecutive months of improvements, will confirm the belief among analysts that the slight economic recovery of the spring and early summer has not been sustained.

After a drop of 5.1 per cent (at an annual rate) in the first quarter of the year, U.S. gross national product is now officially estimated to have grown by 2.1 per cent between April and June.

The Commerce Department's modest growth projection of 1.5 per cent for the current quarter now looks more uncertain than ever.

Intense public attention is likely to be focused on economic statistics coming out over the next few weeks because they will set the framework for a crucial phase of campaigning before the congressional elections on November 2.

The economy has emerged as the most important issue in many congressional races.

The unemployment figures, due to be published on October 8, will be the most critical, particularly if, as is now widely expected, they show a rise from the present 9.8 per cent to over 10 per cent.

There is still indecision in the Administration, however, over whether to acknowledge that unemployment has been a necessary price to pay for reducing inflation.

Mr Donald Regan, the Treasury Secretary, said last week that the Administration had never pretended inflation could be cut without temporarily creating more unemployment.

But President Ronald Reagan himself went on radio on Saturday to denounce those who "charge the Administration fights inflation by putting people out of work."

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Angola fears another invasion

LISBON — Angola has accused South Africa of shelling and bombing Angolan military units north of the border with Namibia (South-West Africa) and warned that a new invasion could be expected.

The official news agency Angop, quoting the Defence Ministry in Luanda, said at the weekend that South African planes and artillery had this week attacked troops near Cahama, in the only part of the southern border province of Cunene still in Angolan hands.

The agency gave no further details of the fighting and did not mention any casualties.

Cahama is the most advanced Angolan military position in Cunene province. Angola says it has lost control of the rest of the province since last year's South African invasion.

Lieutenant-Colonel Pedro Maria Tonha, the Defence Minister, repeated earlier warnings that a new South African attack across the Namibian border appeared imminent but said Cuban troops would guarantee his country's territorial integrity.

Angop said South Africa had moved 5,500 troops into Cunene province and was massing a further 30,000 on the border.

In another report, Angop said yesterday that a senior U.S. official had arrived in Angola for talks on the future of Namibia and the thorny issue of U.S. recognition of the Luanda Government.

Mr Frank Wisner, Deputy Assistant Secretary of State, who arrived in Angola on Saturday, said the aim of his visit was to "try to find a peaceful solution for southern Africa."

Angop said Mr Wisner, who has made four visits to Angola in three months, would have talks with Foreign Minister Paulo Jorge.

The official Mozambique news agency Aim yesterday quoted Mr Jorge as saying he was not optimistic about an imminent independence settlement for Namibia.

He told Aim in an interview in Luanda that reports that a settlement was near were an attempt to make Angola a scapegoat for further delay, on the grounds that it refused to discuss the presence of Cuban forces on its territory.

South Africa and the U.S. have both linked Namibian independence to withdrawal of an estimated 18,000 Cuban troops from Angola.

The U.S. has refused to establish diplomatic relations with Angola because of the presence of the Cubans.

Angop said on Friday that Mr Wisner's mission would end in failure unless he agreed not to raise the problem of the Cubans.

Angola's warnings that Mr Wisner should not try to broach this subject have been unusually stern.

During his last visit to Luanda in August, the Angolan media quoted Mr Wisner as saying that the U.S. did not link Namibian independence with departure of the Cubans.

But subsequent U.S. policy statements have indicated that Washington, like Pretoria, still wants the Cubans to pull out from Angola before Namibia becomes independent from South African control.

Angola has repeatedly stated that it will not let a Cuban withdrawal be a precondition either of Namibian independence or U.S. recognition of the Luanda government.

Crunch near in Caterpillar talks

By Richard Lambert in New York

CATERPILLAR TRACTOR is approaching a crucial deadline in its protracted wage negotiations with the United Automobile Workers union, which represents some 36,000 of the group's 52,000 U.S. employees. Its current three-year contract expires at midnight, this Thursday, and the two sides have been negotiating for a new one since July 13.

Talks continued over the weekend, with Caterpillar putting modified proposals to the union on Saturday. Neither side has published details of their plans, but the union said earlier this month that Caterpillar workers had responded to the company's demands for "massive takeaways" by voting overwhelmingly in favour of strike action if necessary.

The company makes earth-moving, construction and materials handling equipment, as well as engines. Over half its sales arise outside the U.S.

Profits after tax plunged from $301m (£170m) to $52m in the first half of this year, and some 17,000 U.S. employees were laid off by mid-summer.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (X), WATLING STREET, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 29TH SEPTEMBER 1982, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 28TH SEPTEMBER 1982.

ISSUE OF £1,250,000,000

10½ per cent EXCHEQUER STOCK, 1988

MINIMUM TENDER PRICE £96.00 PER CENT

PAYABLE AS FOLLOWS:

Deposit with tender	£20.00 per cent
On Monday, 1st November 1982	£40.00 per cent
On Monday, 6th December 1982	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 10TH MAY AND 10TH NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for £1,000,000,000 of the above Stock: the balance of £250,000,000 has been reserved for the National Debt Commissioners for public funds under their management.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 10th May 1988.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 10th May and 10th November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 10th May 1983 at the rate of £5.2860 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (X), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 29TH SEPTEMBER 1982, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON TUESDAY, 28TH SEPTEMBER 1982. Tenders will not be revocable between 10.00 a.m. on Wednesday, 29th September 1982 and 10.00 a.m. on Monday, 4th October 1982. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £96.000 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit at the rate of £20.00 for every £100 of the nominal amount of Stock tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:—

Amount of Stock tendered for	*Multiple*
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or by any of the Branches of the Bank of England, on any date not later than 2nd December 1982. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any instalment payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 6th December 1982.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow, G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; at Mullens & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (X), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 29TH SEPTEMBER 1982, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow, G1 2EB) not later than 3.30 P.M. ON TUESDAY, 28TH SEPTEMBER 1982.

ISSUE OF £1,250,000,000

10½ per cent Exchequer Stock, 1988

MINIMUM TENDER PRICE £96.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 24th September 1982 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:—

Amount of Stock tendered for	*Multiple*
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

1. NOMINAL AMOUNT OF STOCK £

Amount of deposit enclosed, being £20.00 for every £100 of the nominal amount of Stock tendered for (shown in Box 1 above):—

2. AMOUNT OF DEPOSIT (a) £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £96.00:—

3. TENDER PRICE (b) £ : p

I/We hereby engage to pay the instalments as they shall become due on any allotment that may be made in respect of this tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

SIGNATURE .... of, or on behalf of, tenderer

.... September 1982

PLEASE USE BLOCK LETTERS

MR/MRS MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS:—		
POST-TOWN	COUNTY	POSTCODE

STAMP OF LODGING AGENT (IF ANY)

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "Exchequer Stock." Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

b The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

Turkish war on inflation continued in budget

ANKARA—Mr Adnan Baser Kafaoglu, Turkey's Finance Minister, has proposed his propoesd his budget for 1983, emphasising a continuation of the country's two-year-old monetarist battle against inflation and state spending.

His proposals envisage spending of Turkish lira 2,600bn (£8.36bn) and general revenues of Turkish lira 2,409bn with the shortfall made up mainly through bond issues and domestic borrowing.

He told journalists the deficit for the last 10 months of 1982, when the fiscal year was shortened to begin merging the budget year with the calendar year from 1983, would be Turkish lira 140bn after expenditures of Turkiab lira of 1,670bn and revennes of Turkish lira 1,530 bn.

Mr Kafaoglu said spending in the last 10 months of 1982 would show a 27.7 per cent increase over the same period in 1981, while 1981 spending showed a 46 per cent increase over 1980. The balance of payments deficit envisaged for next year was $400m to $500m following an expected deficit this year of $680m.

He said the country wanted to extend by one year its three-year $1.6bn agreement with the International Monetary Fund (IMF), but would not be seeking other new credits for investments and imports. Turkey, whose IMF agreement expires next year, still owes more than $15bn in foreign debts.

Since 1980, when tight monetary policies were implemented which Mr Kafaoglu has pledged to pursue, inflation has fallen from over 100 per cent, exports have risen and Turkey has rescheduled and begun servicing large foreign debts.

Mr Kafaoglu said inflation would be brought down to around 20 per cent next year from an expected rate this year of between 25 and 30 per cent, exports would be targeted at $7.1bn compared with $6bn this year and Gross National Product was set to rise 4.8 per cent after an expected 1982 growth rate of 4.3 per cent.

The 1983 budget set aside Turkish lira 1.258bn for public sector investment, rising from Turkish lira 922.7bn invested over the 12 months of 1982, Mr Kafaoglu said.

Defence spending will swallow the largest slice of the budget after the Finance Ministry, accounting for Turkish lira 450bn, up from Turkish lira 317.7bn set aside for the last 10 months of 1982.

Despite his remark about the need to fight unemployment, variously estimated at between 15 and 25 per cent of the workforce, Mr Kafaoglu did not expand on what measures he might take.

Reuter

Steelworkers protest at new French job cuts

By David White in Paris

MORE PROTESTS are threatened this week at steel towns in the east and north of France following confirmation of plans to cut 10,000 jobs in the next four years at the country's two principal steel producers, Usinor and Sacilor.

The cuts have been firmly opposed by the employee representatives who were appointed to the companies' boards after they were brought under direct State control last year.

In an effort to appease rising trade union tempers, M Jean-Pierre Chevènement, the Industry Minister, promised at the weekend that there would be no closures before 1984 and that the Government would fulfil its commitment to finding alternative jobs for the redundant steelworkers.

Main roads and railways were blocked by demonstrators on Friday at Vireux-Molhain in the Ardennes region, where a special steels plant belonging to the Usinor group faces closure, and at Pompey in Lorraine, site of the worst-hit Sacilor unit.

At the Ardennes plant, police clashed on Saturday with steelworkers who bad been joined by anti-nuclear demonstrators protesting against a nearby reactor project.

Barricades on main railway lines in Lorraine were lifted ou Saturday evening, but services were unable to resume immediately because of the damage cansed to electrical equipment.

The Pompey steel works, famous for having supplied the girders for the Eiffel Tower, is to have its 3,500-strong workforce cut by two-thirds under a plan involving 5,600 jobs—14 per cent of the total — at the recently enlarged Sacilor group.

In the past five years the number of jobs in the Frencb steel industry has already been trimmed by a third to less than 100,000.

The Government has earmarked some FFr 20bn (£1.67bn) for steel industry investment in the 1982-86 period. This latest rescue plan is aimed at bringing the companies back to profit in 1985

Norway approves gas exports to Britain

NORWAY'S Government has formally approved the export to the UK of the Norwegian share (16.25 per cent) of the gas and NGL (natural gas liquids) reserves in the Murchison oil and gas field which straddles the UK-Norwegian sector boundary in the North Sea, Fay Gjester writes from Oslo.

Patrick Cockburn reports from Beirut on the prospects for Lebanon's 400,000 refugees

Frightened Palestinians face bleak future

JUST BEFORE Mr Amin Gemayel was sworn in as President of Lebanon last week, an enormous explosion rocked Christian East Beirut. A vast column of grey-blue smoke towered over the city from a large ammunition dump which the Christian militia said had exploded accidentally.

For the Palestinians, largely grouped to the south of the city and already devastated by the massacre in the Chatila and Sabra camps by Christian Phalange troops under the eyes of the Israelis, the exploding shells only served to drive up tension.

The promised pull-back of Israeli forces by Wednesday will ease this tension, as will the arrival of the multi-national force over the next few weeks, but the presence of the 3,000 forelgn troops poses no long-term solution to the problem.

Among Palestinians, panic remains very close to the surface. With the departure of the Palestine Liberation Organisation and stripped of their arms, they feel deeply vulnerable to further attacks by the Christian militias. In Lebanon, over tbe last 10 years, but particularly since the civil war of 1975-76, every community has built up its own militia for protection. Nobody felt safe without a gun.

The incursion of the Israelis and some of the Christian militias into West Beirut over the last week has stripped the Palestinians and much of the Moslem population of their guna. They are therefore very frightened of further attacks. Hence the enthusiasm with which most of them greet the arrival of the multinational force.

Reaction to the massacres in Chatila and Sabra bas tended to mask the broader question of the future of about 400,000 Palestinians in Lebanon.

The exact numbers are not known. The United Nations Relief and Works Agency has 237,180 Palestinians registered who arrived in 1948 or are descended from those who did. The full figure could he twice this number, though the Christians claim that there are as many as 700,000 Palestinians here.

All these Palestinians are now a deeply frightened people. The Phalaoge Party, to which President Amin Gemayel belongs, bas traditionally blamed all Lebanon's troubles on them. A few months ago his father, Mr Pierre Gemayel, the founder of the Phalange, said that half a million Palestiniana should leave Lebanon. President-elect Baschir Gemayel, who was assassinated two weeks ago, said he *distinguished* between armed PLO men and unarmed Palestinian civilians but there are clearly many of his men who do not.

It is also by no means clear that President Amin Gemayel fully controls the Phalange militia which dominates the Christian forces. Privately, most Moslem leaders are convinced that elements of the Phalange participated in the massacre, but accept that President Gemayel knew nothing about it.

Sufficient blood has flowed in Lebanon over the past decade for every group in the country, including the Palestinians, to have some massacre to repay. During the civil war Bascbir Gemayel once told his men to kill more than 100 innocent Moslems driving in Beirut in revenge for the death of a few of his militiamen.

As many as 3,000 Palestinian civilians are thought to have been killed during and after the siege of the isolated refugee camp of Tal al Zaatar in East Beirut. In revenge for this, the Palestinians stormed the Christian town of Damour and killed several hundred of its iohabitants. Almost every sect and group in Lebanon has its own version of the massacre of Glencoe to mourn and avenge.

Knowing this, the future looks bleak for the 400,000 Palestinians, many of whom have nowhere else to go. The people of Chatila, so many of wbom were massacred last weekend, were, for instance, mainly building labourers and vegetable sellers pushing their little carts around Beirut looking for customers. Though UNRWA has ensured that Palestinians have one of the highest literacy rates in the Middle East, in Lebanon it is rather poor.

They would in any case find it difficult to move elsewhere. Syria says it will not accept them and the Arab oil states, such as Kuwait, which already has 200,000 Palestinians, are unlikely to be more welcoming. But do they dare to stay? In the southern refugee camps around Tyre and Sidoo, the Israeli authorities have reluctaotly allowed the refugees who are staying in the rubble of their shanty towns, to put up tents.

The irony is that most of the Palestinians in the camps who have suffered worst from the Israeli bombardment and the more recent massacre have little to do with the PLO whose influence Mr Menahen Begin, the Israeli Prime Minister, says he is trying to extirpate. Most have been in Lebanon since 1948 and the PLO fighters are maioly drawn from the Palestinians who fled after 1967.

In the *immediate aftermath* of the massacres at Sabra and Chatila camps the Palestinians in Lebanon are at the centre of world attention. This, together with the arrival of the 3,000 strong multinational force, gives them some temporary security but their long-term future looks bleak. Fear of another massacre will never quite leave them. Last week a small group of community

Britain might contribute troops

BRITAIN has "not excluded the possibility" of contributing troops to the multinational peacekeeping force in the Lebanon, Mr Douglas Hurd a Minister at the Foreign Office said yesterday.

Mr Hurd, speaking on the Independent Television programme, "Weekend World," stressed that the issue of Britain's involvement was still "very hypothetical." Britain had not been asked to contribute troops. There was a commitment in the Falklands wbere a war was fought as well as commitment to Nato.

He said: "If the situation changed and if we were told as in the Sinai case that it was essential to the success of the whole thing, that there would be British people there, we would look at it as sympathetically as we could.

Bonn lifts Argentine arms ban

By Our Foreign Staff

WEST GERMANY is to go ahead witb the delivery of four frigales to Argentina, despite objections by the Britisb Government.

The Bonn Government gave permission on Saturday for Hamburg shipbuilders Blohm and Voss to deliver the sbips, powered by British-built Rolls-Royce turbines, at intervals of six months, beginning in 1984.

The Foreign Office said that Britain had not officially been told that West Germany had lifted its arms embargo on Argentina, imposed at the time of the Falklands conflict.

A West German Government spokesman said the embargo was lifted after EEC ministerial talks earlier this week.

The Foreign Office said: "We knew it had been discussed at the meeting. We would prefer, of coorse, for the embargo to remain. But these are not European Community agreements and it is for each Government to decide its own policy."

After some hesitation, France decided to lift its embargo on arms sales and deliveries to Argentina in early August. Its decisioo appeared to be prompted by indications that Argentina's armed forces were about to replenisb equipment lost

Egypt moves to attract more foreign investment

CAIRO—Foreign companies considering investment in Egypt have been told they can now have majority control over joint ventures, and have heen promised firm decisions on their investment proposals within 60 days of making an offer to Egypt.

The guarantees are contained in a new code of regulations announced at the weekend by Mr Wagih Shindi, Egypt'a newly-appointed Minister of Investment.

Mr Shindi, who was appointed to the new portfolio earlier this month after President Hosni Mubarak sacked the economic ministerial group, said at the weekend: "The foreign investment offers submitted to Egypt this year were far less than . . . it received in 1981."

Tbe Minister, who left for Washington yesterday to explain the new regulations, declined to aay how much less foreign capital was offered, but he said the investment slowdown had worsened since the assassination of President Anwar Sadat last October.

Western experts noted that Egypt's foreign investment regulations have perpetuated uncertainty ever since their enactment in 1974 hecause, while foreign majority control was not explicitly forbidden, it was blocked in almost all cases.

"Western businessmen applying for 51 per cent ownership of their projected ventures were turned down in almost all cases hefore the new regulations," one expert said. Foreign majority control was only allowed in the free trade zones in Port Said and Alexandria.

The package announced by Mr Shindi also contained measures to eliminate long delays caused by elaborate procedures to decide whether or not a foreign investment proposal was desirable.

In an attempt to encourage Egyptians to invest more money in their own country, Mr Shindi announced . . . that Egyptian investors would enjoy similar privileges to those given to forelgn businessmen, including a five to aeven year exemption from commercial and industrial taxes.

He said Egyptians should have the courage to invest the $5bn in foreign currency they hold in Egyptian banks. Most of the money is believed to come from Egyptian workers abroad who last year sent home some $3bn.

Reuter

Europeans undercut by Far Eastern yards in $240m ships deal

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SALEN, the Swedish shipping group, is spending about $240m (£141m) on 12 refrigerated cargo ships (reefers) for delivery over the next two years.

All the vessels will be built in Japanese and South Korean shipyards at less than half the prices offered by European shipbuilders.

Mr Mats Rhune, managing director of Salen Reefer Services, says that if the reefer market had not been so slack and Salen so financially constrained, he would have replaced an even larger part of his fleet from these sources.

The Far Eastern yards are building the 430,000 cu ft carriers for $20m or less each. Swedish shipyards asked $55m a ship, while French yards bid $44m.

Japanese and Korean shipbuilders are able to offer such low prices because of lower labour costs. They have also built up sufficient reserves during profitable years to be able to run their yards at a loss for a time during the recession, according to Mr Rhune.

Salen ordered three reefers last July from the Koyo Shipyard, Japan, placed an order for two with the Korean Shipbuilders and Engineering Company last week and will today sign a contract for a sixth vessel with Hyundai of Korea.

In addition, the Swedish group has fixed-price options for two more vessels with Koyo, three with Korean Shipbuilders and two with Hyundai. It has to decide on these options by the end of the year.

The decision will depend on the movement of the dollar exchange rate. If the dollar falls in value, the vessels under option will be very cheap, but if it continues to rise, Salen would probably try to negotiate even better prices and terms. Mr Rhune intimated that other Japanese yards were looking for contracts.

Salen operates the world's biggest reefer fleet, carrying fruit and frozen produce worldwide. It runs 100 vessels, of which about 45 are owned wholly or in joint ventures with foreign partners. The remainder are hired on time charters.

The ships ordered from the Japanese and Korean yards are smaller versions of the 600,000 cu ft "winter" type which Salen introduced in the late 1970s. They have unitised cargo handling systems based on square, box-shaped cargo holds, large hatches and the use of 16-ton cranes.

So far, they are unique to the Salen fleet. Mr Rhune estimates that they cost roughly 25 per cent more to build than conventional reefers, but give at least 20 per cent higher freight income because of the reduction in cargo handling costs and the swifter turnround time in port.

Compromise on pipeline Reagan told

By Paul Cheeseright, World Trade Editor

THE AMERICAN Chamber of Commerce (UK) has urged the Reagan Administration to settle U.S. differences with West Europe over the Siberia-West Europe gas pipeline by negotiation "rather than the imposition of unilateral measures and threats or counter-threats of strong action."

In a letter to President Reagan, the Chamber notes that the American business comunity in Europe is in the frontline of any possible confrontation.

In an effort to delay construction of the pipeline, the U.S. has imposed an embargo on gas and oil equipment and technology and extended it to cover subsidiaries abroad of U.S. corporations. Five such companies in the UK have been ordered by the British Government to disregard this embargo.

The embargo, coupled with European threats of retaliation, threatens the framework of common interest in the western alliance, the Chamber told President Reagan. "Precipitate marshalling of U.S. economic power will do nothing to alleviate" deteriorating relations between the U.S. and Europe, the letter said.

The Reagan Administration, faced with mounting pressure from business on both sides of the Atlantic, and from European governments, has shown some signs of wishing to moderate the effect of its embargo policies.

In the first of a series of articles, issues facing Gatt's ministerial conference are examined

EEC and U.S. prepare for tough trade talks

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE INCENTIVE for a ministerial conference of the General Agreement on Tariffs and Trade (Gatt) is not strong, said a trade diplomat in Geneva. The engine is weak and the brakes are strong.

Such reservations about the first meeting of the trade ministers of nearly 90 countries for nine years have been freely expressed as preparations move ahead for the conference at the end of November. Yet at the same time, fundamental questions are being asked about the trading system itself.

In its starkest form, the basic issue is whether there is any future for a system based on a principle of no discrimination, that concessions and trading penalties sought by one country should be applied to all trading partners.

The system has been eroded by the growth of bilateral agreements, generally restricting the movement of goods, as importing countries have sought to cut back purchases from other countries to protect industries hurt by the recession.

This in turn points to a gathering tide of managed trade, at odds with the principle of non-discrimination, on which the Gatt was based in the aftermath of the 1930s depression and World War II.

Against this background, the world's leading trading powers—the EEC, U.S. and Japan—have increasingly been at odds, with the focus in most recent months on the disputes between the EEC and the U.S. rather than the disputes which both have with Japan.

The result has been that expectations for the Gatt ministerial conference have been lowered. Indeed, some developing country trade diplomats believe that without some amelioration in EEC-U.S. relations, the exercise is becoming pointless.

There is little evidence that the EEC would be prepared to talk about the winding down of its residual protectionism. Without the EEC, plans to stage a return to the more open trading conditions of the expanding and prosperous 1960s are likely to be stillborn.

But the conference itself was conceived as an exercise in trade policy. It has never been designed to deal with detailed questions of trade. There is no possibility of another major round of trade liberalisation negotiations being set off, as was the case at this meeting's predecessor, in Tokyo during 1973.

Yet the way in which the trading nations approach the question of principle—non-discriminatory or managed trade—could have a decisive effect on international commercial relations for the rest of the decade.

This is why the shape of the preparatory discussions in Geneva have assumed signal importance. These discussions, under the chairmanship of Canada, could under present working plans produce a document ready for final ministerial negotiations by October 20.

Discussions so far are being built around the concept of a ceasefire on protectionist measures, supported by possible declarations covering areas like agreed conditions for import restraint measures, a fresh approach to disputes precedures within the Gatt, agriculture and relations between the industrialised and developing countries. The whole, loosely, might add up to a trading peace plan.

Yet what a ceasefire might mean has not so far been defined. At one extreme, it could mean an agreement to stop all protectionist measures. Thus no country would take measures either to restrict imports or, indeed, to subsidise exports. But that begs the questions of the exact nature of a subsidy, or the nature of dumping.

It could also mean that no nation would undertake any protectionist measures which do not accord with the Gatt itself. Generally, this would mean that any move towards import restrictions would be taken under Article 19 of the agreement, directed against surges in imports which injure domestic industry. Yet the restrictions would have to be universally applied and not directed at one country. But there is no agreement on what constitutes an injury.

Again, a ceasefire could mean that no nation would take protectionist measures except those in accordance with domestic law. This would probably be the view of the U.S. Yet one of the fundamental differences between the U.S. and the EEC is that the provisions of U.S. law in relation to countervailing and anti-dumping duties are essentially protectionist.

So over the next three weeks some very hard talking will have to be done to define first the nature of a ceasefire and second its duration. Even after that the problems multiply.

If there is a ceasefire, then it implies that there will be further talks to wind down the measures of protection which are already in place, outside the disciplines of the Gatt. U.S. estimates suggest that in 1981 restrictions within the terms of the Gatt accounted for $2.5bn (£1.5bn) worth of goods, while those outside it accounted for $60bn.

Smaller industrialised countries fear that without commitment to wind down protection already in place, a ceasefire will be meaningless when it is over, the floodgates to restriction will open again in just the same way that wage demands appear when a wages freeze ends.

Further, there is the question of monitoring a ceasefire. This could be done by the creation of a special committee, but the onus would be on individual governments not to take protectionist measures.

Here there is an immediate problem because the very governments which have been imposing or seeking restrictions are often those which have been affirming the value of the open trading system within the Organisation for Economic Co-operation and Development and at summits of the leading industrialised nations.

And on present indications there is little evidence that the EEC would be prepared to talk about the winding down of its residual protectionism. Without the EEC, plans to stage a return to the more open trading conditions of the expanding and prosperous 1960s are likely to be stillborn.

World Economic Indicators

FOREIGN EXCHANGE RESERVES

(U.S.$m)

	July '82	June '82	May '82	July '81
U.S.	9,100	9,000	9,150	9,842
UK	10,884	10,574	11,134	13,609
Italy	13,889	12,859	11,482	16,472
Japan	21,842	21,702	22,801	23,967
W. Germany	36,518	37,435	38,045	43,422
Belgium	2,610	2,262	2,183	4,578
Netherlands	6,966	7,146	7,463	7,807
	June '82	May '82	Apr. '82	June '81
France	13,132	13,669	15,260	23,194

Source: IMF

Nigerian import inspection rules

SGS, THE official import inspection agent for the Nigerian Government, states that the validity of pro forma invoices for the import of certain commodities may not be earlier than 30 days prior to the date of authorisation of Form M documents by the Nigerian Central Bank.

Exporters should ensure that a copy of the pro forma invoice is received by SGS. However, inspection and shipment may take place within five months of the actual issuance of the Form M itself. This clarifies an ambiguity in the validity period of the invoices contained in an FT report on September 17.

SHIPPING REPORT

Kharg business slackens

BY ANDREW FISHER, SHIPPING CORRESPONDENT

KHARG ISLAND moved out of the limelight on last week's tanker market, with only one fixture from the Iranian terminal. But more business was done out of other loading terminals in West Africa, in the Mediterranean, and the Caribbean.

Galbraith Wrightson said one vessel secured an 180,000 ton cargo at Kharg for early October to Japan at Worldscale 57.5, some way below earlier rates. Rates could soften appreciably as the military front appears calmer.

Business from other Gulf ports has also been very sparse, with vessels now prepared to take rates below Worldscale 20 for discharge in the West.

There was a smattering of enquiries for medium-sized tankers, said E. A. Gibson. Italian charterers, for instance, covered a 60,000 ton cargo at Worldscale 37½ and an 80,000 ton parcel for discharge in Singapore was fixed at Worldscale 45.

From West Africa, where cheaper oil has become available, a number of ships obtained cargoes at rates from Worldscale 35 for 100,000 tons to Worldscale 55 for 65,000 tons to the U.S.

Rates in the Mediterranean area firmed to around Worldscale 100 for 60,000 tons for discharge in the UK and the continent. On the dry cargo markets, rates stayed at disappointing levels.

Dutch company wins Canadian island contract

By Walter Ellis in Amsterdam

BEAVER DREDGING (Wester), a subsidiary of the Dutch construction group, Boskalis Westminster, has secured an Fl 100m (£21.3m) contract from Esso Resources to construct artificial islands for use as drilling platforms in northern Canada's oil-rich Beaufort Sea.

The programme involves innovative technology, known as caisson-retained islands, in which an artificial island is built on a contained platform of sand.

The oil exploration programme in the Beaufort Sea is being mounted by Esso Resources in conjunction with ten other Canadian companies, led by Home Oil Company.

Canada plans action on U.S. truck moratorium

BY NICHOLAS HIRST IN TORONTO

CANADIAN Federal and Provincial Transport Ministers meeting in Halifax have decided to draw up plans immediately for retaliatory action against restrictions imposed by the U.S. on access to the U.S. for Canadian long distance lorries.

Implementation of the plan is to be delayed for 60 days. During this time, President Ronald Reagan has directed Mr William Brock, the Special Trade Representative, to "seek an understanding with Canada that will ensure the fair and equitable treatment of both Canadian and U.S. trucking interests on both sides of the border."

Last week, Mr Reagan signed into law a Bill which placed a two-year moratorium on the granting of new licences for Canadian lorries delivering to the U.S. At the moment, at least 100 applications from Canadians for licences are being held up by the Inter State Commerce Commission, the U.S. licensing authority, which is conducting an inquiry into the access of U.S. lorries into Canada.

Under the powers granted him by the Bill, Mr Reagan modified the moratorium to allow Canadian carriers to gain licences if they were in the "public interest." But there is confusion over how this will be applied. He said that after discussion with Canada he hoped to lift the moratorium altogether.

CONTRACTS AND TENDERS

COMPANY NOTICES

ART GALLERIES

PERSONAL

CLUBS

BOND DRAWING

Cashless banking talks widened

BY WILLIAM HALL

THE LONDON clearing banks, which dominate the UK money transmission business, have decided to increase the number of banks involved in their plans for a nationwide system of electronic banking based on terminals in shops.

The decision to widen the membership of the Point of Sale Terminals policy committee —which is spearheading the drive towards the cashless society—comes on the eve of the publicatinn of a report by the Office of Fair Trading which is believed to argue strongly in favour of opening up the money transmission husiness to financial and other institutions as well as the clearing banks.

The question is particularly sensitive for the clearing banks which are conscious of the competition which may he created by lowering the barriers to entry into the money transmission business. They fear this could have important implications for the profitability of their traditional and expensive nationwide branch networks.

The huilding societies tried some time ago to join the bank's money transmission consultative group, but were barred. It is likely that with the advent of the new technology several hig building societies may want to hecome involved in a nationwide system of electronic funds transfer. The Office of Fair Trading is believed to he sympathetic to any building society interested in becoming more involved.

The decision by the big banks to bring several smaller ones into their discussions on electronic hanking using points of sale in shops in significant, since it reflects an awareness that they cannot go on ignoring the competition.

The Trustee Savings Banks, the Co-Operative Bank, the National Giro Bank, the Scottish clearing banks and the Bank of England have been invited to join the POS terminals policy committee.

The committee's full-time project team of four senior executives from Barclays, NatWest, Lloyds and Midland is still reviewing the options for a system of nationwide electronic banking.

Consultants have been asked to prodnce a detailed report by November and the chief executives of the clearing banks are expected to be ready early next year to make a statement about their commitment to the system and to give a potential launch date.

Discussions on the subject have been going on for some time. In 1978 a full-time working party was establisbed by the Committee of London Clearing Bankers to consider it.

After consultations with banks, credil card companies, retailers, consumers and equipment manufacturers it recommended the estahlishment of a private scheme in Southampton which was due to start next year. However, it was shelved because of its high initial cost and because the participants felt that it would hlunt the competitive edge of individual banks.

Midland buys holding in Swiss commercial bank

BY TERRY GARRETT

THE Midland Bank is taking a 69 per cent stake in a small Swiss bank, Handelsfinanz, to fill what it sees as a gap in its European commercial banking activities.

Midland is buying the holding from Banca Commerciale Itallana (BCI) for an undisclosed sum, though the purchase price is believed to be in the region of £13-£15m.

Following the deal BCI will retain an 11 per cent stake. Union Bank nf Switzerland holds 10 per cent of Handelsfinanz with the remainder split equally between Credit Suisse and Sumitomo.

Handelsfinanz is based in Geneva with a subsidiary in Zurich.

Its activities are in commercial lending, deposit-taking, foreign exchange and security dealing, trade finance and portfolio management.

Paper advocates charging for roads use

By Hazel Duffy,
Transport Correspondent

A CHARGE for the use of roads which would relate to the varying demands for road space in different places at different times, is advocated in a paper* published today.

The author, Mr John Hibbs, director of transport studies at the City of Birmingham Polytechnic, says such a charge, in addition to a licence fee, would "bring home to the road user the costs that he can at present effectively ignore."

The payments—on a unit cost basis—would be the key to estahlishing a rational economic base for passenger and freight services, writes Mr Hibbs.

"The prohlem of the road infrastructure bedevils all forms of road transport and its relationship with the railways," he says.

"It is difficult to pursue a policy of deregulation so long as the marginal cost of using the transport infrastructure (except for railways) remains zero."

Mr Hibbs advocates a national corporation to take over the ownership and management of the roads. Such an organisation might also assume responsibility for rail tracks.

This would enable decentralisation of hus and rail ownership. Railway "labyrinths" could be identified which could be both cost centres and the focus for "house loyalty." These would compete for traffic, chiefly in the freight market.

In the bus sector, he believes "the cautious deregulation introduced in the 1980 Transport Act should be taken further."

The main theme of Mr Hibbs's paper is the rational use of scarce resources—"the roads are seen as an amorphous public asset, which everyone owns and to which everyone has an unqualified right of use rather than as a resource"—and the demolition of the assumption that public transport must require ever greater subsidies.

Transport Without Politics . . . ? by John Hibbs. Published by The Institute of Economic Affairs. £2.50p.

Plessey makes a good connection

Stromberg-Carlson deal gives a toehold in U.S., says Jason Crisp

PLESSEY'S purchase of Stromberg-Carlson gives it a vital toehold in the U.S., by far the largest, most open and fastest-changing market in the world.

With telecommunications accounting for 45 per cent of turnover and 54.5 per cent of profits, Plessey needed to reduce its dependence on the limited—but very profitable—UK market. Britain represents about 6 per cent of the world market at present. Although it is growing rapidly this will only be 3 per cent by the end of the decade.

Plessey is particularly pleased to have bought the loss-making Stromberg-Carlson which is the last established U.S. telecommunications company it expected to be available for purchase. A number of other companies had shown interest in Stromberg-Carlson.

Stromberg-Carlson, founded in 1896, was bought by General Dynamics, the leading U.S. defence contractor, in the mid-1950s.

Plessey had been talking to General Dynamics for some time about Stromberg-Carlson. But its hopes appeared to he dashed in June this year when General Dynamics sold most of its telecommunications businesses to United Technologies, the large conglomerate, for about $100m (£58.5m).

In the event, the sale was in Plessey's favour. General Dynamics had wanted to sell all of Stromberg-Carlson while Plessey wanted to buy only the public switching business. In the deal just reached, United Technologies has agreed to sell only the public switching business. Stromberg-Carlson will continue to make private exchanges on behalf of United Technologies which will sell, service, and distribute them.

Stromberg-Carlson employs about 2,500 and has an order hook of £67m. Sales for the next 12 months are expected to total £88m.

Plessey, with 40,000 employees worldwide, reported sales for the year ending April, 1982, at £963m, on which it made a pre-tax profit of £111m.

Stromberg-Carlson is one of the three main suppliers of digital exchange equipment to the independent telephone companies in the U.S. As part of General Dynamics, it has made losses for several years, partly because of the high cost ($80m) of developing its digital exchange.

Stromberg-Carlson was the first company to obtain full approval for its digital switch from the Rural Electrification Administration (REA). It has installed, or is about to instal, 400 digital systems. It's exchanges (System Century) are designed for use in rural areas by the REA and the independent telephone companies. The basic exchange has up to 16,000 lines which is being extended up to 32,000 lines.

Plessey points out that the market for public exchanges in the U.S. will double the American Telephone and Telegraph's local operating affiliates become independent, as a result of a settlement reached with the U.S. Justice Department in January.

The resulting seven operating companies, each about the same size as British Telecom, will have the option to purchase equipment from companies other than AT & T.

Plessey will try eventually to bring together the two companies' technology. Although it would need significant changes, Plessey obviously hopes it will be able to make and sell System X in the U.S. System X, the UK-developed digital exchange, can be used in very large exchanges.

Plessey hopes its other products will strengthen weaknesses in Stromberg-Carlson's range. It includes transmission equipment, integrated circuits, connectors and optical fibre systems and private exchange systems such as Monarch. It expects substantially to reduce production differences in the next three years.

Stromberg-Carlson is expected to be profitable in the near future as sales of digital exchanges grow and it expands its range of products through its link with Plessey.

New pact averts world coffee price slump

John Edwards looks at the the struggle over export quotas

THE THREAT of a collapse in world coffee prices was averted early on Saturday when a new International Coffee Agreement was concluded after three weeks of intensive negotiations.

Talks at the International Coffee Organisation in London lasted longer than expected as leading exporting and importing countries sought to resolve not only the terms of the agreement, to come into force in October 1983 for six years, but also the export quotas regulating world supplies for the 1982-83 season, starting on October 1.

It was agreed to set export quotas for 1982-83 at 56m bags (of 50 kilos each).

Of this total 3.2m bags will be allocated to small coffee exporting countries, leaving 52.8m to be divided among the major exporters.

The agreement, between all the leading coffee-exporting and importing countries, seeks to stabilise world prices by controlling the amount of supplies reaching the market.

Basic export quotas are assigned to the exporting countries, and these quotas are then raised or lowered according to price movements.

If prices fall quotas are cut to restrict supplies. Increased quotas are granted if prices rise, to release more supplies for the market.

The existing agreement, in force since 1976, has been extended to September next year. It seeks to maintain world prices between a "floor" of 120 cents a lb and a "ceiling" of 140 cents.

It has been fairly successful in achieving this in the past two years, though prices fell below the "floor" for a period despite three cuts in quotas.

This month quotas were raised when the price climbed back above 120 cents. On the London futures market values are at the highest level since July 1980. They rose sharply last week.

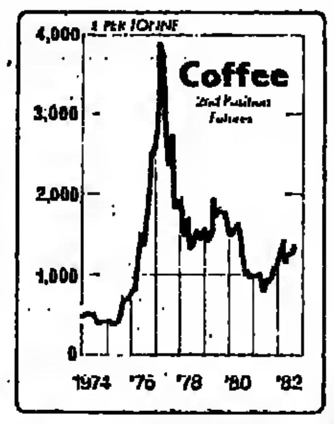
Producing countries claim that current prices do not reflect the rise in production costs. They recognise that without the International Coffee Agreement a free-for-all battle would develop in the highly competitive market, and prices almost certainly collapse.

Coffee-roasters, who turn the raw "green" coffee bean into the retail product, are anxious for supplies at the lowest possible price, but recognise that a collapse would inevitably be followed by the kind of scarcity that made prices rocket in 1975 and 1976.

Both exporting and importing countries were therefore determined to preserve the agreement after the existing one expires.

The main problem was how to divide out the quotas among producing countries. Consumers were eager to enlarge the share of the world market given the countries producing the higher-quality Colombian and other mild varieties.

Brazil, expecting a bumper 1983 crop after avoiding frost damage this year, was determined to obtain her "rightful" share as by far the biggest producer.



In the event Brazil and Colombia, second biggest producer, managed to reach agreement, and persuaded most fellow members to fall in line. It appears that Indonesia has again been the main sufferer.

If supplies continue to build up in the year ahead negotiations to decide price levels for 1983-84 could prove acrimonious.

But the success in negotiating the new agreement should help ensure an element of stability is retained in a market notorious for violent price fluctuations in the past.

CBI survey gloomy on output and order books

By Max Wilkinson,
Economics Correspondent

THE PROSPECT of a recovery of output and orders remains distant, according to the latest survey of companies by the Confederation of British Industry, published today.

However, the September trends inquiry of more than 1,700 companies suggests that after the worsening of confidence and order books reported in July and August, industry may be settling down at a new plateau.

A balance of 52 per cent of companies in September believed that order books were below normal, compared with a balance of 58 per cent in July. However, this balance is still significantly above the March figure of 42 per cent, when there was some hope that activity might improve.

The balance of companies reporting that export order books were lower than normal was 51 per cent in September, marginally better than the 54 per cent balance in August but considerably worse than the balance of 37 per cent in February and March.

The weak state of export order books reported by the CBI ties in with the August trade figures, released by the Department of Trade at the end of last week. These showed a sharp deterioration in the volume of exports in August and a big fall in export demand from less developed countries.

One of the more ominous pointers in the CBI survey is that the balance of firms which consider stocks of finished goods to be excessive has remained at 23 per cent in August and September. This was higher than in any of the last 12 months except February.

The figure underlines fears that a further round of destocking may be threatened, with adverse consequences for output and confidence in industry. A balance of 7 per cent believed that the trend of output would be downwards. A balance of 4 per cent in the spring believed output would increase.

The only clear good news in from this survey is on inflation. A balance of only 17 per cent expected to increase prices in the next four months—the lowest balance for 12 months

Squeeze on Welsh health chiefs

BY ROBIN REEVES, WELSH CORRESPONDENT

CONCRETE evidence that the Government is planning unprecedented cuts io the public financing of the National Health Service is contained in a confidential Welsb Office circular, sent to local bealth authorities in Wales.

The document warns that health authorities, "are likely to be subject to an unprecedented squeeze in 1983-84." It goes on to project regular annual cuts in NHS resources affecting revenue and capital allocations to health authorities over the next six years.

Health authorities, it says, must "submil realistic plans for the deployment and redeployment of resources whlch will present a clear picture of the implications open to the bealth service in the coming year, and of the issues likely to arise in the longer term."

The circular is being described as the most important statement about the bealth service since its foundation in 1948. It is seen as confirmation that recent proposals of the Cabinet Think Tank on NHS financing were more than academic, as some ministers have maintained.

Shocked bealth administrators and trade union officials calculate that the financial projections point to a marked contraction in health service facilities. They would involve the loss of some 9,000 jobs in Wales—about 17 per cent of employees—over the six-year period.

Deficlencies in national planniog have been disguised to some extent because successive governments have been able to provide growth money to health authorities totalling more than 25 per cent in real lerms since 1974 against their basic revenue allocations, the document says.

But the current economic climate calls for "the most vigorons and determined attack on costs and control of manpower," it declares. It adds that Mr Nicholas Edwards, Welsh Secretary, is ready to intervene in the overall deployment of NHS resources "to ensure his policies and priorities are being fully implemented."

The document predicts the revenue and capital allocations to Welsb health authorities in 1983-84 will be £601m, or £9m less than 1980-1981. Annual cuts projected from the next financial year through to 1988-1989 range from £5m-£14m a year.

It suggests that for the first year Welsh health authorilies should prepare for a revenue reduction of at least £7m, after the transfer of £4.9m from capital to revenue allocations next year.

To this must be added the expecled shortfall of cash limits as a result of pay and price constraints. (It evidently assumes a 6 per cent pay settlement for health workers in 1983-84.)

Given also the upwards pressure on demand of demographic trends, lnbuilt technical "cost push" and the cost implications of increasing the ratio of senior-to-junior medical posts, health authorities are likely to face an unprecedented squeeze in 1983-1984.

Tourist board teaches a lesson in business

Nick Garnett on one region's success in *tapping a lucrative source of income*

THE English Tourist Board paid tribute at the weekend to the professional management approach and marketing skills of one of its regional arms—the Yorkshire and Humberside Regional Tourist Board.

At a time when the Government is proposing cuts in the financial aid it gives to tourist management and when the industry's ability to sustain jobs is outstripping that of manufacturing, the performance of tourist boards such as Yorkshire and Humberside can be a lesson in how to expand business.

The board offers a unique blend of assistance which includes special belp for small businesses starting up or expanding in the industry. In 1980 an estimated £320m was spent on tourism in Yorkshire and Humberside alone.

For the 12 months to March this year, the board generaled £179,000 of income from commercial activities directly for itself, the second highest figure in the country outside London and only £1,000 lower than England's prime holiday area, the West Country.

Commercial activities and £30,000 from fees paid by board members contributed 47 per cent of the board's total running costs in the year—a relatively high percentage, though lower than that of the West Country and Thames and Chilterns boards. The Yorkshire and Humberside, bowever, does not bave many of the tourist advantages of those two areas, though it does have big population concentrations on its fringes.

In terms of attracting governmeot grants to aid individual tourist ventures, the board has come top in obtaining £4.4m, a quarter of the national tourist grant aid budget, in the past three years.

Mr John Chapman, the board's development manager and a surveyor by profession, said yesterday that it was anxious to become much more commercial. "We'd like to be indepeodent of national and regional assistance," he said.

Yorkshire and Humberside provides a consultancy service for relatively small businesses in the tourist trade who want to expand or set up in the region. This includes advice on building, planning and the provision of services as well as basic information on the regional tourist market.

It has also followed the policy guidelines of the English Tourist Board which is trying to encourage the banding together of businesses within the industry for the purposes of advertising. It has set up a consortium of hotels; they pay up to £1,600 a year each to the board, which in turn provides marketing for them.

The region is also discussing with three resorts and a few commercial companies the possibility of sharing advertising costs for next year. Yorkshire and Humberside already has an aggressive advertising campaign and won second place to Club 18-30 in the Institute of Marketing's travel advertising award scheme for the best advertising campaign.

The board has probably the most successful regional tourist guide. It prints 80,000 of these a year and a further 50,000 of its boliday planner guide.

It is also attempting to expand its business centres which are designed to provide special assistance to travelling businessmen, partly to encourage them to do business from their botel rooms.

There are centres in Wakefield and Halifax and ooe opens next year in Scunthorpe. The board bopes to have a regional network of the centres which, among other services, provide booklets on business information. Local authorities in Hull, Leeds, Doncaster, Rotherham and Huddersfield have already said they may set up sucb centres in conjunction with the board. It also wants to provide a regional guide for businessmen away from home.

Finally, the board has succeeded in marketing boliday packages with major commercial coocerns, sometimes making use of the fame given to some of the region's tourist attractions by television series such as the James Herriot rural vet programmes. It operates package deals with North Sea Ferries, among other companies.

Broadmoor cash plea fails

THE MATTHEW TRUST, a charity to help people released from Broadmoor and similar institutions, is in financial trouble.

Its founder, Mr Peter Thompson, a former Broadmoor inmate, blames publicity about Alan Reeves, a one-time fellow-inmate.

Reeves, a Broadmoor escapee, is awaiting trial in Amsterdam on charges of killing a policeman in a shoot-out when he was recaptured there last month. This coincided with a trust appeal for funds which, said Mr Thompson, was a failure.

"We ask 2,000 companies for belp and we reckon to get between £7,000 and £10,000. This latest appeal cost us £1,600 to run. We bad 390 replies, but only three with money, a total of £250."

Money shop expansion worries bankers

By William Hall, Banking Correspondent

North American banks and finance companies now have nearly 500 money shops in the UK and in percentage terms the growth in their branch networks is faster than that of the building societies.

In 1981 the number of building society branches in the UK rose by 478 to 6,162, a growth of 8 per cent. This is a slower rate of expansion than in the previous two years, but nevertheless the societies stand out as the one major financial institution which is significantly increasing the size of its branch network.

The number of branches of the English and Scottish clearing banks continued to decline with a net loss of 25 branches taking the total down to 12,808, according to the latest annual survey of outlets of UK financial institutions published by Noel Alexander Associates.

The Post Office continues to account for more than two-fifths of total outlets, but the number of outlets fell by 69 last year to 22,405. The number of Crown post offices fell by 9 to 1,573 and sub-post offices fell by 60 to 20,832.

Among the clearing banks, the number of Barclays branches fell by 11 to 2,980. Midland branches fell by 9 to 2,452 and Lloyds branches fell by 5 to 2,293. By contrast National Westminster Bank slightly increased its network to 3,212.

The speed with which the North American financial institutions are increasing their UK branch network is known to be worrying some senior bankers. Over the last five years the number of outlets of the 11 leading firms has more than doubled and last year they increased their network by 11 per cent to 483.

The five biggest, with most branches are HFC Trust (127 outlets), Avco Trust (81), Beneficial Trust (76), Associates Capital Corporation (58) and Citibank Trust (41).

The vast majority of these are open from nine to five and on Saturday mornings.

Bitter calls at fringe meeting for Labour tolerence and unity

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

PRE-CONFERENCE fringe meetings in Blackpool yesterday set the tone for what promises to be a bruising week as the Labour Party decides what is to be done about the Militant Tendency.

Prominent party figures will no doubt complain at the end of the week that too much public attention has been given to the issue. Yesterday they appeared determined to put it in the forefront. The bitterness and savagery with which they called for unity and tolerance point to a lively battle on the conference fringes.

First off was the right-wing Labour Solidarity campaign wheeling out its big guns in the form of Mr Peter Shore, Mr Roy Hattersley and Mr James Callaghan, to demand the Militants' expulsion.

The left Campaign for Labour Party Democracy countered with a blast from its own stars—Miss Audrey Wise, Miss Frances Morel, Mr Dennis Skinner and Miss Joan Maynard—urging resistance against the right-wing "witch bunt."

The Solidarity meeting, a rather middle aged if not elderly affair, was attended by about 400 supporters and a vociferous contingent of militants at the back of the hall.

Mr Callaghan was given a standing ovation as he called on members to "sweep out the Militants and purge urselves of intolerance." Undeterred by sardonic laughter from the back, Mr Callaghan urged the importance of electing, later today, a national executive committee, likely to back the party leadership in its stand against the Militants.

Mr Shore was cheered as he denounced the Militants as "a bunch of conspirators who lack the guts to proclaim their identity and their purpose." Mr Hattersley was also cheered when be declared that these "parasites on the body of democratic socialism will be the carrion on its corpse after they have done it to death."

The language at the Campaign for Labour Party Democracy—a younger affair also attended by abool 400—was milder, the sentiment not perceptively so.

Mrs Wise attacking the right wing said: "There are some in this party whom I wouldn't call socialists. But I don't call for their expulsion. Reg Prentice didn't need to be expelled. And the others don't need expulsion."

Claims that firm action against the Militants was needed to boost Labour's election chances were "unadulterated rubbish" she said. The right-wing candidates for the NEC were anything but candidates for peace and electoral victory. And their proposals for dealing with the Militants merely fed the prejudice of the Press and the fears of the ignorant.

The NEC election results, to be announced on Tuesday, are likely to determine whether Mr Michael Foot wins the support he needs to force through disciplinary measures against Militants but fringe meetings throughout the week will continue the battle.

Left-wing groups such as the Campaign for Labour Party Democracy, the Labour Co-ordinating Committee, London Labour Briefing, Labour Herald and even Militant are planning meetings on party democracy and related subjects greatly outnumbering the right-wing meetings arranged by groups such as Solidarity, and the Fabians.

The CLPD has indicated that a prime target for its attacks will be the conference arrangements committee, which it is planning to challenge repeatedly.

Foot set to win on register

LABOUR's business managers are now confident that Mr Michael Foot will win—if only narrowly—the crucial vote at the party conference in Blackpool which should lead to the banishment of the Militant Tendency from the movement.

The vote will be taken on a proposal to set up a register of political groups permitted to operate within the party. Britain's largest union, the Transport and General Workers, with 1.25m block votes at its disposal, has still to decide which may to jump.

The union's executive has already voted to oppose moves to set up a register, but Mr Moss Evans, general secretary, will attempt to persuade the 41-strong delegation at a pre-conference meeting to put the union's weight behind the proposal.

However, even if the block vote goes the other way, Mr Foot's supporters still believe the conference will accept the register.

Left-wingers, led by Mr Tony Benn, have already denounced the idea of a register as a return to the days of witch-hunts and expulsions. Several influential Left-wing groups have announced their intention to refuse to co-operate if it is set up.

Defeat for Mr Foot on this crucial constitutional issue would represent a damaging blow to his authority as party leader.

The issue, according to provisional arrangements, will be debated this afternoon, with Mr Foot and Mr Jim Mortimer, Labour's general secretary, making the principal speeches on behalf of the national executive.

Alliance hopes rifts are healed

BY PETER RIDDELL, POLITICAL EDITOR

LEADERS of the Liberal and Social Democratic parties believe the worst of their internal arguments are over, after the low-key Liberal Assembly in Bournemouth.

Party leaders expect the deal over the allocation of parliamentary seats to be accepted in all but a handful of cases. There may be rumblings among some local Liberals about the possibility of putting a candidate against the SDP's nominee and the reverse could occur in one or two seats allocated to the Liberals. But considerable informal pressures will be applied during the winter, and there are unlikely to be more than balf a dozen contests between the partners.

The leadership's priority is to organise a joint approach on policy and campaigning both for the relaunch rallies early in the New Year and to be ready for a general election from the spring onwards.

Leaders of both parties believe that Mr Roy Jenkins must now get a grip on his party, after its internal leadership elections for the presidency and direct its energies outwards.

Mr Jenkins faces a difficult task in raising morale and in avoiding disputes over internal organisation and policy at the six-day rolling conferences next month.

Mr Jenkins also has to find jobs for Dr David Owen and Mr Bill Rodgers. Alliance leaders believe it is important that Dr Owen, an absentee from last week's Liberal Assembly, should not feel excluded from the Jenkins-Steel pattern of leadership, in spite of his reservations abont the extent of the joint approach.

Mr Jenkins solidified the links with the Liberals in a skilful speech to the Assembly on Saturday. His theme waa that what united the two parties was far greater than the disagreements.

He said the argument about seats must be regarded as over. "We must accept that we both have a fair deal, and make it stick. Having settled our own affairs, we must turn outwards to the public.

"Both in the SDP and in the Alliance we bave been too internally occupied for most of 1982. Now we must speak to the nation, not further negotiate with each other."

Mr Jenkins, who praised Mr Jo Grimond as the originator of the idea of political realignment, was in the main received warmly by the Liberals. He won over some of them by appearing at a glee club sing-song on Friday evening enduring—and at least appearing to enjoy—a skilful impersonation of his speaking style.

Alliance leaders are optimistic that their opinion poll ratings can be improved. A Mori poll in yesterday's Sunday Times, carried out on Friday, put Alliance support at 26 per cent, with 29 per cent for Labour and 42 per cent for the Conservatives. In a Mori survey for Panorma programme last Monday Alliance support was put at 14 per cent, with Labour at 37 per cent and the Conservatives at 47 per cent.

UK NEWS—LABOUR

BIM backs plan for employee participation

By Our Labour Staff

THE British Institute of Management has joined other employers' bodies by backing the plan to require companies to include a statement on employee involvement in their annual reports.

The proposals, which have been approved by the Confederation of British Industry and the Engineering Employers' Federation, stem from an amendment to the Employment Bill moved by Lord Rochester, the Liberal peer.

The Government accepted the amendment in principle pending consultations with employers' groups.

In a statement backing the move, Mr Roy Close, director general of the BIM, said that the 72,000-member institute saw the proposal as "a useful contribution to the development of employee participation."

"It is clear from our consultations with members that this is in no way incompatible with the proposed amendment to the Employment Bill which provides for the reporting of voluntary arrangements" Mr Close said.

"We hope that it will not in practice lapse into being a palliative for pressure for increased employee participation, but that it will make a constructive contribution to progress in this field."

Whitbread youth project expands

By Our Labour Staff

A YOUTH training scheme, set up jointly by the Manpower Services Commission and Whitbread, the brewers, is to be expanded it was announced yesterday.

MSC officials say the pioneer scheme, launched by Whitbread in April for 18 teenagers from Luton, Bedfordshire, will next month offer places for 170 youths for a year.

The project, backed by MSC finance and a Whitbread management team, will give the teenagers work experience in steakhouses, off licences and catering establishments owned by the company.

Health unions bid to block general strike call

BY JOHN LLOYD, LABOUR EDITOR, IN BLACKPOOL

HEALTH SERVICE union leaders are looking to a meeting with Mr Len Murray, TUC general secretary, on the fringe of the Labour Party conference in Blackpool tomorrow to set their seal on the future conduct of the health dispute.

The union leaders are concerned that a motion at the conference to be debated tomorrow will call for more radical action than they have so far agreed within the TUC. The motion calls for a "24-hour general strike" in support of the health workers.

A number of large unions will vote against such a call and even if it is passed it is expected to be ignored in favour of the TUC's own position.

The meeting with Mr Murray is expected to endorse the limited programme of regional stoppages agreed last week by the Health Service committee.

It is also likely to pay particular attention to the problem of getting effective action where it is agreed.

A number of senior union leaders believe that control of the dispute should be broadened to include a number of unions which have been called out in support of the health workers and could be again.

However, the Health Services committee has so far resisted pressure for this move and is likely to continue to do so.

As talks continue with the non-TUC affiliated health unions the feeling is growing within sections of the TUC that a very small increase in the Government's offer would be sufficient to settle the dispute.

Ivo Dawnay adds: Professional nursing bodies and Social Services officials resume talks today with the Department of Health against a background of deepening gloom over the five-month-old pay dispute.

Both sides have maintained a strict silence over the state of the discussions, which centre on proposals for a two-year settlement put to the unions by Mr Norman Fowler, the Social Services Secretary, 11 days ago.

Though the TUC affiliated unions have thrown out the new initiative, unions representing exclusively nursing staff are continuing to seek common ground with the Government.

Union negotiators for the professional groups—the Royal College of Nursing, the Royal College of Midwives, the Health Visitors Association and the Association of Nurse Administrators—are believed to be seeking improvements in the offers of 4 to 5 per cent from January.

The ayer also understood to be demanding that a long-term formula for assessing nurses' pay be brought back from the implementation date of April, 1984, proposed by Mr Fowler to earlier next year.

● Twelve scientific staff occupying a laboratory at the Victoria Hospital in Kirkcaldy, Fife, were evicted by police at the weekend.

Seven women and five men were arrested for their part in the protest, staged over an instruction by the Fife Health Board insisting that consultants take over responsibility for signing reports on patients' speciments.

Vauxhall to discuss boycott threat

BY IVO DAWNAY, LABOUR STAFF

VAUXHALL MOTORS, General Motors' UK subsidiary, plans early talks with union leaders in a bid to head off a threat to black imports of the S car, GM's long-heralded challenger in the crowded small-car market.

The company was confident yesterday that the issue could be resolved amicably, long before the first S cars arrive in the UK next March.

Mr Moss Evans, general secretary of the Transport and General Workers' Union, announced plans to halt imports of the vehicles on Friday in protest against Vauxhall's failure to build the new model in the UK.

TGWU members in the docks, road transport and motor industry would be instructed to refuse to handle the Spanish-built cars and the union may widen the ban to other foreign motor vehicle imports.

However, last night both Vauxhall and Ford—the other company believed to be under threat—expressed confidence that the blacking plan would be withdrawn.

Mr David Young, Vauxhall's personnel director, will seek early discussions with the unions to review the problem this week.

Any ban would deprive hundreds of British component makers of work, Ford said.

Union warning on refuse tender

BY DAVID GOODHART, LABOUR STAFF

UNION OFFICIALS have warned that there could be industrial trouble ahead for the London Borough of Merton if today's council meeting decides to hand over refuse collection and street cleaning to an outside contractor.

Only two tenders are being considered by the council; one from the direct labour force and one from Task Master, a subsidiary of the Alfred Marks Group.

Both tenders specify annual savings of more than £500,000 in the council's present £2,350,000 budget for refuse and street cleaning. The Tory-controlled council, however, says that over a five-year period the direct labour contract would cost £9.3m compared with Task Master's £8.5m.

Mr Pat Denning, branch secretary of the National Union of Public Employees, said: "I know of no other borough where direct labour could have put in as competitive a tender as we have."

Mr Denning conceded that the direct labour contract was £70,000 a year more expensive than Task Master. He also said the direct labour contract envisaged shedding between 40 and 50 jobs out of a workforce of just over 200.

BUILDING AND CIVIL ENGINEERING

Irish builders face slump

Brendan Keenan in Dublin outlines grim prospects

THE IRISH construction industry has always been a darling of the major political party, Fianna Fail. When FF is in office, as it has been for all but seven months of the last five years, construction expects its interests to be protected.

That was the situation until this year. But as options run out for the British economy, construction has been one of the industries to feel the most severe effects, and 1982 will see a serious decline.

Output is expected to be down 15 per cent for the year. Cement sales could drop 25 per cent on last year's 1.8m tonnes. Unemployment—although notoriously difficult to measure—is thought to be 30 per cent, or more than twice the national average.

Mr Jerome Casey, group economist with Cement Roadstone, Ireland's largest industrial company, says: "The scale of the collapse has left the industry, not so mnch surprised, as aghast."

High rates

Only local authority housing seems to have escaped the slide—for the moment anyway. Industrial building faces a surplus of 3 sq ft which has prompted a fall in domestic and foreign investment. Commercial development is also suffering from the clampdown on government spending, while private housing has been hit by high interest rates, a mortgage scarcity and lack of confidence among builders in the wake of the Gallagher Group collapse.

Major developments, such as Alcan's aluminium plant near Limerick—thought to be the biggest construction site in Europe—are nearing completion and there are no others on the horizon. Industry sources believe that there may be a 20 per cent shortfall in the Government's I£2bn (£1.6bn) construction programme for this year.

The shock is all the greater because Irish builders have so far fared better than their British and Northern Ireland counterparts.

This situation has changed, however, although Mr Tom Reynolds, director general of the Construction Industry Federation, believes that the British government is handling the economy better. "The problems of inflation and public spending are not being tackled here," he says.

Nonetheless Mr Reynold's prescription for recovery mirrors many of the sentiments that have been expressed in recent months by British builders. Mr Reynolds, along with others on both sides of the industry, believes that the Irish government must continne to invest in construction, particularly in housing. Builders and trade unionists like their counterparts in Britain point to the high labour content (40 per cent) and low import bill (23 per cent) as proof that construction is one of the most effective counter cyclical investments.

Less expensive measures say the building industry would include helping Irish firms to tender abroad. At present, the Irish export board, CTT, can assist only a limited range of construction projects and the industry cannot get bid bonds and performance bonds for overseas contracts.

Irish firms do not get a proportionate share of work from the European Development Fund and the Construction Industry Federation believes that an extra Ir£75m worth of business could be available with more government help.

The indsutry knows that such help will not be forthcoming unless there is a rapid improvement in government finances which is why the love affair between it and Fianna Fail has gone sour. To make a coherent case, builders must also argue for sweeping cuts in current spending.

Deficit

There is little sign that this is happening. The current budget deficit is expected to exceed the target of Ir£680m by more than Ir£200m. The industry fears that the capital programme will bear the brunt of next year's inevitable cutbacks.

All agree this will mean further unemployment with lay offs among staff as well as operatives, and long term damage to the industry. "We need quick, and imaginative action," says Mr Reynolds. On past form, one cannot blame him if he is less than optimistic.

Prime Minister to hear industry leaders' view

THE Group of Eight, comprising the leaders of all sides of the construction industry, is to meet the Prime Minister on October 15.

In a letter to Mrs Thatcher asking for the meeting the group said: "In September you'll be considering with your Cabinet colleagues the extent and character of public expenditure for the next financial year.

"We think it vital that you should hear from us at first hand how the construction industry can contribute to the revival of confidence, to the stimulation of private investment and to economic recovery."

The Group of Eight came into existence when industry's leaders came together in 1977 to meet Prime Minister James Callaghan following a series of severe public expenditure cuts. At that time unemployment in the industry was 250,000. As the group prepares for this second visit to Downing Street unemployment in the industry stands at 400,000—more than the total employed in mining.

Members of the Group of Eight are: National Federation of Building Trades Employers; National Council of Building Materials Producers; Federation of Civil Engineering Contractors; Royal Institute of British Architects; Royal Institution of Chartered Surveyors; Institution of Civil Engineers; Transport and General Workers Union Construction Group; Union of Construction, Allied Trades and Technicians.

Design for university in Bahrain

FIRST PHASE of the new Arabian Gulf university in Bahrain is to be designed by British firms W. S. Atkins and York Rosenberg and Mardell, and Japanese architect Kenzo Tange.

Set in the desert on the fringe of Bahrain's populated area, the 40-hectares campus will be designed for 10,000 students, bot will start with facilities for a core of 3,000. Target completion date is September 1986.

The three consultants will start from the master plan by Sheppard Robson Overseas, also a British firm. Designs will be returned in six months.

W. S. Atkins are consultants for infrastructure and site development, YRM for housing, and Kenzo Tange for academic building and social "spine" buildings, such as a students club, catering facilities and sports halls.

Invitations to local and international contractors for building packages will go out in aboot a year.

Funded by the seven Gulf states—Iraq, Kuwait, Saudi Arabia, Qatar, Bahrain, the UAE and Oman—the university's overall budget is $100m (£58.8m), although the planning committee works to a bi-annually awerded budget.

NFBTE pulls out of protection scheme

THE NATIONAL Federation of Building Trades Employers (NFBTE) is pulling out of the National Home Enlargement Bureau (NHEB) because of its "serious concern" over some aspects of a proposed bureau scheme aimed at protecting home-owners who have building work done.

Until now the NFBTE, through its London region, has been one of the Bureau's five chief sponsors. The others are the Royal Institute of British Architects, the Royal Institution of Chartered Surveyors, the Chartered Institute of Building and the Builders Merchants Federation.

The Bureau project in question is its "Bonded Builders" scheme, announced to the building industry in the summer with the idea of launching it publicly on October 1.

It has three main objects: to protect home-owners against a builder becoming bankrupt or going into liquidation before a contract is finished; to guarantee professional supervision of quality of work; and to create for the first time an easily-identifiable source of soundly-based firms that take on residential work.

The NFRTE says that the Federation's committees had not had a chance to consider the NHEB's proposals and that no decision on participation in the scheme had been taken by the Federation's national council.

It added: "Since, however, some of the publicity surrounding the announcement of the 'Bonded Builder' scheme had linked the NFBTE's name with it, and incorrectly implied Federation support for it, a special working party was established to consider the detail of the scheme and to report to a national council meeting.

"In that report the working party identified a number of points of serious concern. Moreover, at a meeting with the Office of Fair Trading we were advised that restrictive practices legislation would preclude the Federation from issuing any recommendations to its members over the NHEB scheme.

"For these reasons, the working party advised the national council that the NFBTE should withdraw from the NHEB and take no further part in the proopsed scheme. This recommendation was accepted."

Commenting on the council's decision, NFBTE national president Mr Malcolm Fordy said: "My Federation is fully aware of the pressures building up for some form of quality assurance as between builders and their clients.

"This is why the NFBTE has been trying for more than two years to produce a 'guarantee scheme for small works' to meet precisely this demand—a scheme which would go far beyond the proposals envisaged by the NHEB.

"Regrettably the same restrictive practices legislation has thus far prevented the NFBTE from bringing its own guarantee scheme to fruition. But we are hopeful of making further progress later this year and will continue to treat this as a matter of highest priority."

OVERSEAS CONTRACTS

£14m work for Balfour Beatty

THE INTERNATIONAL construction division of BALFOUR BEATTY CONSTRUCTION has been awarded a £14m sub-contract for the civil, structural and jetty works at the Bahrain pelletising plant by the main civil contractor, Al Jazira Contracting and Investment Company. The plant is being built by Kobe Steel of Japan for The Arab Iron and Steel Company of Bahrain.

The jetty will be 300 metres long and 35 metres wide constructed of reinforced concrete supported by steel cased piles to be driven by Stent Foundations from floating plant. Onshore work will consist of heavy reinforced concrete foundations for process plant, building and ancillary works.

Work has started and is due to be completed in 23 months. The engineers are Parsons Brown of Bristol.

Stent Foundations is already working on the site, undertaking a £1.7m advance contract for piling and ground improvement works.

Roadworks in Hong Kong

HENRY BOOT INTERNATIONAL has won a HK$64m (£6.4m) contract for road works on Hong Kong Island. The contract, which represents the final part of the second stage of the island eastern corridor system, calls for construction of a 700 metre-long dual three-lane highway at ground level between Quarry Bay and Taikooshing, on the northern side of the islaod. Connected to the new section will be the initial part of the second stage of the corridor already under construction, continuing eastward to meet the future extension office of the Hong Kong Government's engineering development department. Also involved is the construction of an interchange at Taikooshing to link the highway to roads io the estate development there.

Power tower testing rig

The Mitchell hydraulics divisioo of FERRANTI INSTRUMENTATION has received an order valued at around £500,000 for the design and supply of the complete loading and control equipment for a tower testing station, to be constructed at Madras in South East India. The contract has been placed by the UN Centre for Human Settlement which is sponsoring this oew facility on behalf of the Indiao Government's Structural Engineering Research Centre. Believed to be the first testing facility of the modern servo-hydraulic type to be commissioned on the Indian sub-continent, the station will test the design and strength of large structures, particularly high-voltage transmission pylons. It is expected to be operational in the late summer of 1983.

Three win £3.5m roadworks

ROADWORKS worth over £3.5m have been placed by the Department of Transport.

EDEN CONSTRUCTION CO. has a £1.48m contract for the construction of the A69 Bardon Mill diversion in Northumberland. The 2 km bypass will be a single two-lane carriageway 7.3 metres wide with one metre marginal strips. The Thorngrafton Road U7 58 is to be diverted and will cross the Bardon Mill diversion in an underpass. The Thorngrafton Road will be closed to traffic for about 12 months. The entire project will take 22 months.

A contract worth £1.2m has been awarded to AMEY ROADSTONE CONSTRUCTION for resurfacing about 5km of both carriageways of the M1 motorway at Junction 21 (Enderby). Work is expected to be completed by the end of November. Traffic will be restricted to two lanes in each direction, and the northbound access road from the M69 motorway to M1, at junction 21, will be closed. Northbound traffic from the M69 will be diverted via the A46 roundabout.

A series of slip roads on the M6 in Cheshire are to be resurfaced under a £337,000 contract awarded to Amey Roadstone Construction. Work has started and will take about six weeks. Both north and sound bound carriageways will be affected at junction 17 (Congleton), junction 18 (Middlewich) and junction 19 (Knutsford). Use of the on and off slip roads will at times be confined to a single lane but motorway access will be maintained.

TARMAC ROADSTONE HOLDINGS has a £526,000 contract for a programme of repairs on the M18 between Bromley and Wadworth in South Yorkshire. The work will be over a one mile stretch of both carriageways, immediately south of Wadworth Interchange (Junction 2) and is expected to last about three months. The contract involves reconstruction and overlaying both carriageways. While work is in progress two lanes of traffic travelling in each direction will be maintained wherever possible with a contraflow system operating on the northbound or southbound carriageways as necessary. It will be necessary to close the northbound exit and southbound entry slip roads at Junction 2 (Wadworth) at certain times.

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TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.10 For Schools, Colleges. 10.00 You and Me. 10.15 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Postman Pat. 2.01-3.00 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Puzzle Trail with Tommy Boyd. 4.35 The New Shmoo. 5.00 Newsround with Paul McDowell. 5.05 Blue Peter. 5.35 Willo The Wisp.

5.40 News.

6.00 Regional News Magazines.

6.25 Nationwide.

6.55 Angels.

7.20 The Wonderful World of Disney.

8.10 Panorama.

9.00 News.

9.25 The Monday Film: "Yesterday's Hero," starring Ian McShane, Adam Faith, Paul Nicholas and Suzanne Somers.

11.00 Film '82 with Iain Johnstone.

11.28 News Headlines.

11.30 Couples: A series of four programmes about couples and their relationships. (1) Traditional Marriage.

Chris Dunkley: Tonight's Choice

Monday is the night in which BBC 2 dominates the ratings. At 6.45 Madhur Jaffrey shows how you can quite easily transform your kitchen into an Indian restaurant; then The Two Ronnies repeat themselves; and Alec Guinness adds some bottom with Smiley's People, which did not start with quite the confidence of Tinker, Tailor—hated the credits and the Circus (they can't all be such boors)—but is still pretty compulsive.

Then comes the erratic Spike Milligan with There's A Lot Of It About and what could prove a fascinating programme about that most tantalising of subjects—hypnosis, which is being taken much more seriously by the medical profession these days.

At 11.30 BBC 1 offers one of those voyeuristic programmes which make such easy idle viewing—Couples, in which two pairs talk about their marriage or lack of it. It is a repeat. Earlier Film 82 returns with a new presenter, Iain Johnstone. Woody Allen's "A Midsummer Night's Sex Comedy." is among the films previewed.

On ITV In The Cold War Game Jonathan Dimbleby penetrates the Soviet Union's equivalent of Sandhurst. This is preceded at 8 pm by Tom, Dick and Harriet in which Lionel Jeffries penetrates the home of his puritanical son, Ian Ogilvy, and wife Brigit Forsyth, with quite funny results, judging by previous episodes.

ANTONY THORNCROFT

BBC 2

6.40-7.55 am Open University.
9.30 Labour Party Conference.
11.00 Play School.
11.25-12.30 pm and 2.00-5.00 Labour Conference.
5.10 A Kind of Necessity.
5.40 Cartoon Two.
5.55 Cosmos.
6.45 Madhur Jaffrey's Indian Cookery.
7.10 News Summary.
7.15 The Two Ronnies.
8.00 Alec Guinness in "Smiley's People."
9.00 There's A Lot Of It About.
9.30 Hypnosis.
10.20 Jack High.
10.50-11.50 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Minus One. 1.00 News with Leonard Parkin, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Turning Point. 2.00 Cabbages and Kings. 2.30 Labour Party Conference from the Winter Gardens, Blackpool. 4.15 Dangermouse. 4.20 Hold Tight! 4.45 Two-way Ticket. 5.15 Private Benjamin.

5.45 News.

6.00 Thames News.

6.25 Help! Community action with Viv Taylor Gee.

6.30 Crossroad.

7.00 The Krypton Factor Final.

7.30 Coronation Street.

8.00 Tom, Dick and Harriet.

8.30 Jonathan Dimbleby In Evidence: The Cold War Game.

9.00 Quincy, starring Jack Klugman.

10.30 News.

10.30 "The Hostage Heart," starring Bradford Dillman, Vic Morrow and Cameron Mitchell.

12.15 am Close: "Sit Up and Listen," with Sarwar Rija.

† Indicates programme in black and white.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Jet Set Jester. 5.15 Diff'rent Strokes. 6.00 About Anglia. 6.20 Benson. 10.30 Anglia Reports Special. 11.00 Thriller "If it's a man . . . Hang up," starring Carol Lynley, Gerald Harper and Tom Conti. 12.25 am Personal View.

BORDER

1.20 pm Border News. 2.00 Benson. 6.00 Lookaround Monday. 6.20 Cooking with Tovey. 10.30 Shelley. 11.00 The Evolution of Darwin. 11.30 Gangster Chronicles. 12.30 am Border News Summary.

CENTRAL

1.20 pm Central News. 2.00 The New Accelerators. 5.15 Survival. 6.00 Central News. 9.00 Minder. 10.30 Something In The Air 11.15 Central News. 11.20 Lou Grant. 12.20 am Come Close.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where And Weather. 2.00 The Monday Matinee: "Balham: Gateway to the South." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 Happy Days. 9.00 Magnum. 10.28 Channel Late News. 10.35 Aujourd'hui en France. 10.40 Late Night Film: "Paradise." 12.20 am News and Weather in French.

GRANADA

1.20 pm Granada Reports. 2.00 Weir's Away. 5.15 Sale Of The Century. 6.00 Diff'rent Strokes. 6.30 Granada Reports. 9.00 Minder. 10.30 Shelley. 11.00 The Evolution of Darwin. 11.30 Gangster Chronicles.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Preview—"Martha." 5.15 Survival. 6.00 North Tonight. 6.20 This Sporting Summer. 9.00 Minder. 10.30 Monday Movie—"X, Y and Zee" starring Elizabeth Taylor. 12.35 am North Headlines.

HTV

1.20 pm HTV News. 2.00 Hands. 5.15 Welcome Back Kotter. 6.00 HTV News. 9.00 Minder. 10.28 HTV News. 10.30 The Monday Mystery: "The Devil's Web."

HTV Cymru/Wales—As HTV West except: 9.47-10.02 am About Wales—Places. 12.00-12.10 pm Ffalabalam. 4.15 Cartoon. 4.20 On Safari. 4.45-5.15 Sêr. 6.00 Newyddion. 6.05 Report Wales. 6.30-7.00 Happy Days.

SCOTTISH

1.20 pm Scottish News. 2.00 Survival. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crime Desk. 9.00 Hill Street Blues. 10.30 Late Call. 10.35 Tales Of Horror And Suspense.

TSW

12.27 pm Gus Honeybun's Magic Birthdays. 1.20 TSW News Headlines. 2.00 Feature Film: "Balham: Gateway To The South." 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 Happy Days. 9.00 Magnum. 10.32 TSW Late News. 10.35 Postscript. 10.40 Feature Film: "Paradise," starring Michael Beecher. 12.20 am South West Weather.

TVS

1.20 pm TVS News. 2.00 Weir's Away. 5.15 Survival. 6.00 Coast To Coast. 10.20 This Sporting Summer. 11.10 Thriller: "Anatomy Of Terror." 12.35 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 The Story Of Wine. 5.15 Happy Days. 6.00 North East News. 6.02 Looks Familiar. 6.30 Northern Life. 9.00 Minder. 10.30 North East News. 10.32 Briefing—Ian Breach reviews the Liberal Party Conference. 11.00 Lou Grant. 12.00 Briefly. Met, Long Remembered.

ULSTER

1.20 pm Lunchtime. 2.00 Untamed World. 4.13 Ulster News. 5.15 Film Fun. 6.00 Good Evening, Ulster. 6.30 Lifestyle. 10.29 Ulster Weather. 10.30 Mork And Mindy. 11.00 Facing Death. 11.30 News At Bedtime.

YORKSHIRE

1.20 pm Calendar News. 2.00 Pushing The Limits. 5.15 The Two Of Us. 6.00 Calendar (Emley Moor and Belmont editions). 8.35 Happy Days. 10.30 "Eyewitness," starring Mark Lester, Susan George and Lionel Jeffries.

RADIO 1

(S) Stereo (when broadcast on vhf)
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Peter Marshall (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 8.00 Folk On 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 The Name's The Game. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew presents Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Puccini (S). 10.00 London Philharmonic Orchestra (S). 11.10 Song Recital (S). 11.50 Haydn and Mozart concert (S). 1.00 pm News. 1.05 Cortot, Thibaud, Casals, chamber music. 2.00 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly For Pleasure (S). 6.25 Music For Organ (S). 7.00 The Noble Horse. 7.15 The Composer Conducts: William Mathias (S). 8.20 What Books I Please: The Rev Dr Edward Norman on Graham Greene. 8.40 17th-Century English Music (S). 9.35 From Molecules To Mind. 10.20 Mozart's Clarinet Trio (S). 10.45 Jazz in Britain featuring Stinky Winkles (S). 11.15-11.18 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today. 8.35 The Week On 4. 8.43 More Tales From A Long Room by Peter Tinniswood. 8.57 Weather, travel. 9.00 News. 9.05 Start The Week With Richard Baker (S). 10.00 News. 10.02 A Small Country Living. 10.30 Morning Story. 10.45 Daily Service (S). 11.00 News. 11.03 Down Your Way visits the City of Worcester. 11.48 Speak Out! 12.00 News. 12.02 pm You And Yours. 12.27 Lord Peter Wimsey (S). 12.55 Weather, travel, programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.30 A Breath Of Fresh Air. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News; Financial Report. 6.30 News Quiz (S). 7.00 News. 7.05 The Archers. 7.20 The Monday Play (S). 9.20 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Music At Night. 12.00 News.

THE WEEK IN THE COURTS

Justice and the right to know

IT WAS wholly appropriate that almost the last judgment to be delivered by Lord Denning as Master of the Rolls—he has one more to give on Wednesday, dealing with cabbage seeds—should be in the most important case for 15 years involving the immunity of Government from disclosing public documents in litigation. When may the public interest in preserving the confidentiality of state documents be overridden by the public interest in the administration of justice?

Underlying the legal rules for reconciling the interests of governmental confidentiality and the interests of litigants seeking to challenge the legality of governmental action is the concept of the freedom of information; which has only just begun to take root in this country. The courts are understandably chary of airing their views about political issues (even if they are not partly political); they seek to resolve the litigious issues as best they can without at least revealing expressly their disposition to the underlying philosophies of government. Not Lord Denning. His judgment last Friday in *Air Canada v. Secretary of State for Trade and British Airports Authority* began with a gratuitous sideswipe at those who are advocating greater openness in government. The other two appeal court judges assiduously avoided going outside the judicial remit of deciding the points at issue on a strictly legal basis.

Lord Denning's opening words deserve to be quoted: "The call today is for more open government. It is voiced mainly by newsmen and critics and oppositions. They want to know about the discussions that go on in the inner circles of government. They feel that policy-making is the concern of everyone. So everyone should be told about it." He then descended to a consideration of the claim of the airlines who are challenging the Government and the BAA over increased landing charges at Heathrow airport. In making out their case they sought disclosure of certain high-level government papers. Mr Justice Bingham decided that a public interest was demonstrated in some of the documents sought to be withheld from scrutiny, but he ordered that he should inspect them before ordering disclosure to the airlines.

Lord Denning and his two judicial brethren reversed the judge's decision. Whether the law as it stands supports the claim for maintaining secrecy in government, or is capable of adaptation to a political move towards more openness is one thing. It is altogether another if judges declare the law to be properly in favour of one political stance rather than another. Lord Denning's deferential attitude to the state's interests profoundly conflicts with the judgments of the great English judges of the past who stoutly resisted the attitude of those judges who showed themselves more executive-minded than the executive.

Lord Denning has often been hailed as the protector of the citizen against the mighty battalions of the State. But when it comes to the crunch he is in the traditional mould of those judges who are willing to concede the last word to Ministers of the Crown.

Lord Denning's *reference to* "Newsmen, critics and oppositions" discloses a lack of understanding of the motives of the campaigners for freedom of information. Of course, the Press, as the fourth estate of the realm, is in the forefront of the movement. Journalists and their editors are the public's instrument for achieving the free flow of information upon which the governors can be judged by an intelligent electorate.

It is worth examining the particular approach of the appeal court judges to the problem in hand. The rules of procedure state simply that documents of litigants are to be disclosed if "necessary for disposing fairly" of the case. The rival views in this case disclosed a fundamental difference in approach. The airlines claimed that the documents are always necessary if they are material in the sense that they are likely to affect the court's decision, irrespective of whether they are helpful or unhelpful to the party seeking production. In short, the court should be possessed of all relevant information on which it can arrive at the correct answer.

The Government's argument was that the party seeking production must show that the documents are likely to assist that party's case. If the document in fact supports the defendant's case, and he chooses not to produce it, there is no affront to justice.

Our adversarial system of litigation, in which the parties determine what evidence they adduce before the court in order to make out, or defeat the claim, does not proceed upon any notion of full disclosure of everything that is material. The law of England proceeds upon the premise that material facts may quite properly be withheld from the scrutiny of the court; the mere existence of legal privilege (which permits non-disclosure of what a litigant communicates to his legal adviser) demonstrates that fact. Furthermore, a defendant may, for reasons of delicacy or protection of a third person, decide not to call a witness whose evidence is highly material to a case.

The Court of Appeal thought that Mr Justice Bingham's approach—that it was enough that the airlines could show a likelihood that the documents, if produced, might help them—was wrong. The judge had concluded that it could not be said that the documents would help the airlines. The crucial question was, given that the documents might or might not help the airlines, what should the court do?

Admittedly relevant documents, possibly containing material of consequence to the resolution of the claim, were in existence. Should the court look at them to see if they were of assistance? The conclusion of the Court of Appeal was that the airlines should not be allowed to go on a fishing expedition. Only if there was a reasonable likelihood that the documents would assist the party seeking disclosure would the court even look at them.

The private citizen who takes a Minister to court over the exercise of a power invested in him by an Act of Parliament always faces the initial difficulty of garnering the material to support his case. There is no equality of arms between the private litigant and the State. The law, in the absence of any legal entitlement of the citizen to know under a freedom of information statute, should acknowledge this inequality in the litigious process. Once acknowledged, the court should be ready to inspect any document that is material to the adjudication that the court is being asked to undertake. If on inspection the document does not assist either side, it can be left with its confidentiality. Otherwise it should be disclosed to the party seeking it.

If courts are unwilling to aid the citizen in his disputes with government, justice will in part be frustrated. Justice is not just the process of arriving at the right result as between the litigants. It is the process whereby, whatever result is handed down from the courts, that result is seen to be based on the fullest amount of relevant information and a reasoned decision.

JUSTINIAN

RACING

BY DOMINIC WIGAN

MERLINS CHARM, Hays, Great Eastern, Tres Gate, Come On The Blues, Scarrowmanwick and The Dinmont make up a seven-runner field for today's Harroways Stakes and although none of them is of the calibre of last year's winner, Belmont Bay, the event could hardly be more competitive.

The one-time 1,000 Guineas favourite, Merlins Charm, is arguably the "class" member of the field. However, she hardly appeals as a betting medium because, except for a break between the 1,000 Guineas and Royal Ascot, she has been on the go since early spring. More importantly, she has not been seen in action on soft ground. I would prefer to back Tres Gate and Scarrowmanwick.

The least seriously raced member of the field is Tres Gate. He has, however, shown more than a little promise in his only two races to date.

Scarrowmanwick, a Tickled Pink sprinter whose best performance last season came when he defeated Think Ahead, by 1½ lengths at Newmarket has been slowly finding form.

Last time out, he put up the performance of his career when carrying 9 st 6 lbs into fourth place in the Ladbroke's Ayr Gold Cup. Beaten under three lengths by Famour Star, to whom he was giving 27 lbs in yielding conditions, he should repay each-way support.

Now that Cock Robin has been pulled out of the Kinrara Stakes, Piggott who won last year with Jalmood, will hope to come out on top with Now And Again.

The five-lengths conqueror of Zaheendar at Nottingham, when making his debut, Now And Again was less impressive when scrambling home from Goodhye Shelley and Special Leave in the Gilbey Championship at York.

GOODWOOD
2.00—Easy Star
2.30—Proclaim**
3.00—Dark Proposal
3.30—Scarrowmanwick***
4.00—Cap Of Freedom
4.30—Run Like Mad*

NOTTINGHAM
2.30—Decorated
3.00—Worth Avenue
3.30—Madona

London Business School goes for the big time

Christopher Lorenz examines the new LBS strategy of rapid growth and innovation, plus steady internationalisation

A SHADOWY figure sat quietly at the back of the classroom. For over an hour he listened intently to a bunch of young students vying with each other to see who could solve the mystery: what was wrong with the company whose "case study" lay open before them, and how could it be put to rights?

At the end of their debate he came forward, introduced himself as the head of the enterprise in question, congratulated one of the class on his incisive mind and the practicality of his solution, and offered him a job on the spot.

The incident occurred at the London Business School, not a stone's throw from Sherlock Holmes' old stamping ground at the north end of London's Baker Street. John Stopford, the school's professor of international business and its academic dean, cites it in reply to the widespread allegation that business schools are preoccupied with unpractical analysis and theory: they certainly strengthen people's sleuth-like powers, but, so the argument goes, they do little to improve anyone's actual ability to put things right.

In Britain, some of this criticism springs from the continued anti-intellectualism of industry: the deep-rooted feeling that, even in today's complex world, business is a matter for "practical men," rather than people with unusually well-developed powers of intellectual analysis and synthesis. (The reasons for this peculiarly British attitude were examined on Page 22 on September 15.)

Suspicion

But there is also some justification in industry's suspicion of business schools. On both sides of the Atlantic, Stopford admits, they have tended to devote more attention to analysing a problem and formulating the decision required to deal with it, than to the equally important question of how to implement the decision.

As a result, U.S. schools in particular have come under growing attack for producing people who are suited only to consultancy, corporate planning or the chief executive's seat itself, rather than to the mass of line management jobs that lie in between.

In Europe, Stopford insists that the better schools are overcoming this failure by improving their simulation of the process of management, not only through the examination of case studies, but also by sending their students out to do more real-life project work in companies.

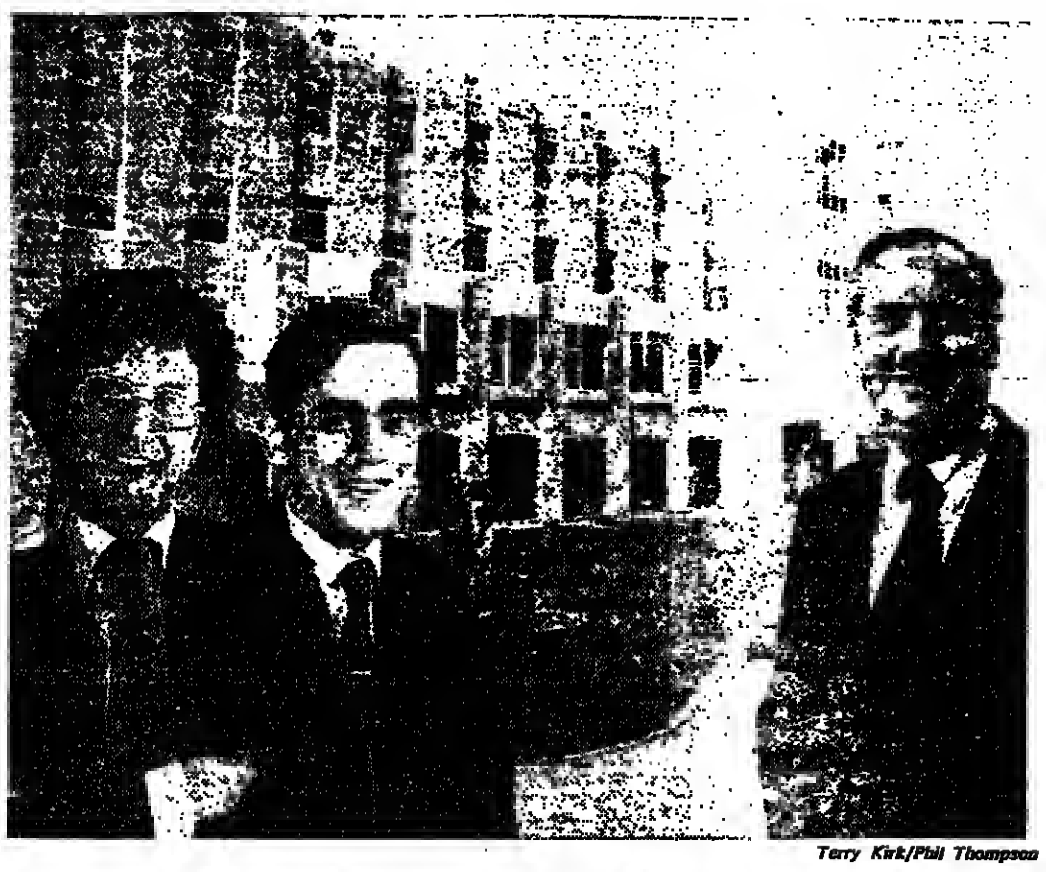
Though direct recruitment at the classroom door is rare — and not exactly encouraged, "It's no accident that a lot of our people are hired by the companies where they've done their projects," Stopford says.

Such "learning by doing" shares a "very, very blurred" dividing line with the newly fashionable, and supposedly anti-business school process of "action learning," Stopford maintains. But he agrees that Britain's management schools "have yet to convince the majority of industry" that the way they try to simulate the process of management is effective.

The process of converting the sceptics should take a leap forward from January, when, one of the last UK business schools to do so, LBS starts its first part-time programme for a masters degree in management. Instead of students having to leave their companies, and find outside funding for two years to take the school's traditional full-time course, a carefully constructed three-year programme will interweave their studies with continued full-time employment. Many of them will be funded by their employers.

As a result, the course will not only minimise the usual problem of "education being separated from its point of application" as Stopford puts it —with the result that much of it is not retained or usefully tested in practice — but it will allow students to do twice as much formal, in-company project work as on the full-time course. And most such work will be within their own companies.

It was to subsidise the part-time degree programme that the University Grants Committee last year singled out LBS as the only university institution in the country to be given an increase in its recurrent grant; all the rest were cut, to howls of protest that continue to reverberate. LBS received a rise of 14 per cent (though it will still require economies in view of the fact that its student numbers are actually being increased by several times that rate).



Terry Kirk/Phil Thompson

Andrew Likierman (left), John Stopford and Jim Ball: staunch defenders of the need for business schools to be academic centres of excellence

The UGC grant is by no means the only evidence of the school's expansion, as anyone will tell you who in the last year or two has struggled through the mud, dust and noise of the building site which LBS has been hiding for the past few years behind its elegant Adam facade on the edge of leafy Regent's Park. A £4.2m extension is at last nearing completion, and staff have begun moving in this month.

A total of £1.6m was raised from industry, with LBS providing the rest from its own resources; the UGC grant subsidises teaching costs, rather than the capital cost of the building. So the investment represents a substantial risk for the school.

As well as rehousing many of the school's existing activities from assorted overcrowding in nearby houses, and making room for the part-time programme, it will allow the school's work to be expanded in two other directions, both of absolutely central relevance to industry.

The extension will house the new Centre for Business Strategy, an international research unit to which David Sainsbury, one of the heirs to the supermarket family fortune, has just committed £1.25m over tha next five years. As reported on this page on July 9, the centre is pledged to conduct empirical research of direct relevance to decision-making at board level. It will probably become the second largest team of academic researchers in the world in the fields of business policy and competitive strategy, after the massed battalions of the Harvard Business School.

The new building is also allowing LBS to expand one of its most popular services to industry, the provision of private courses which are tailor-made to the requirements of individual companies. Attendance on such programmes has more than doubled over the last six years, and would be even higher if it were not for the past constraints on space and staff.

As a result of all this, LBS is currently expanding its 40-strong faculty by about a fifth—a dramatic contrast with the rest of the university world in Britain.

The type of person recruited will reflect the way the school is "gearing itself up for a higher profile role," as Stopford puts it, and a more precise concentration on its chosen markets.

High among its priorities is an intensification of its position as an international school. In terms of student numbers—both postgraduate students on the masters course and mid-career executives on a range of other programmes — this is already stronger than is often realised. Of its 200-plus masters students (most of them in their twenties) over 30 per cent come from outside the UK. Two-thirds of the overseas students are from the U.S., Japan and (to a much lesser extent) the Continent. On its nine-month Sloan Fellowship Programme for executives in their mid-30s, the overseas proportion is over 50 per cent.

All the same, as Stopford concedes, the teaching staff is still purely Anglo-Saxon, which limits the view the school can present of the international business environment. All the same, a growing emphasis on the institutional and governmental framework within which business operates across the world is becoming evident in the curriculum of postgraduate courses, as well as the various programmes for executives.

At the same time as increasing the international content of much of its work, the school is moving to fill certain yawning gaps in its armoury, notably in information technology, as well as the management of technology in general, which is rapidly growing in importance to business strategy. A full-time appointment in the latter is probably two years away, however, and may still leave the school too thinly represented.

LBS is also appointing its first lecturer in business history, and is planning to make two appointments in public sector management—a field which will form one of the unusual elements of the part-time masters course, and which programme director Andrew Likierman considers one of the reasons why it is already heavily oversubscribed.

As well as filling these gaps, and reorganising its research and teaching in small business and design management, the school is adding firepower to some of its existing strengths, including accounting and business policy. Virtually the only area not directly affected is marketing.

If all this is to be a success, and also if certain shortcomings of the full-time masters course are to be overcome, the school will have to develop greater co-ordination between the teaching of functional specialists than some of them might ideally like, as well as a greater centralised initiative in the planning of new executive programmes. Hence the establishment of an "academic board" under Stopford in 1980; he says that harmonisation is already improving, especially on the executive programmes.

Like so many other developments at the London Business School, such steps are aimed at making its courses more relevant and attractive to the business world. But Stopford and the school's principal, Professor James Ball, are emphatic that this need not—and must not — reduce the academic quality of the school's work, especially the research from which so many of the teaching programmes draw their strength.

This is one of the reasons why the school has doggedly stuck to tha two-year pattern of its full-time masters degree, despite pressures from various quarters to go over to the one-year programme which is common elsewhere in the UK, though not at the best schools in the U.S. It was in order not to dilute the quantity and quality of teaching and project work that the school also decided to spread its new part-time programme over three years, twice as long as many other UK courses.

Trenchant

On the research side, Jim Ball is a staunch defender of the need for Europe to have several academic centres of excellence in business studies, just as it has countless university faculties of science, engineering, history and so on, where the quest for knowledge is valued for its own sake.

"One of the most fundamental contrasts between Britain and Japan is the amazing Japanesa respect for intellect," he declares. In characteristically trenchant style, he complains that "the British attitude always seems to be that education is basically a consumption good — and a discretionary one at that —rather than an investment good."

But that does not mean that all education, business or otherwise, must be vocational; an excessive emphasis on utility would help produce a utility-style civilisation, which would be no civilisation at all.

An executive dilemma

THE London Business School is in the middle of a major review of its long and short courses for practising executives. It must not only decide how far to extend the tailor-made programmes it designs for individual companies—for which demand is soaring—but also how to revive its longest executive course, the 10-week London Executive Programme for middle managers.

LBS relies on the "LEP" for a considerable amount of revenue, but attendances have slumped over the past three years, from 110 in 1978-1979 to under 70 in 1981-82. This was originally blamed on the recession, plus competition from tailor-made programmes and resistance to the allegedly excessive length. But Stopford now attributes the problems to the proliferation of similar programmes at other schools, plus the need to rejuvenate the curriculum —a move which has certainly revived the shorter though more high-level Senior Executive Programme, which fell into the doldrums at about the same time. LBS is also considering breaking the LEP into more specialised courses for managers in particular types of industry, because of the difficulty of trying to provide all things to all men and women.

The only change definitely decided so far is to re-direct the Continuing Executive Programme — a six week "sandwich" programme spread over 10 months—towards executives in smaller companies, or where they have an unusual degree of autonomy. This will help strengthen the LBS offering to small businessmen, though an ancillary reason is that the programme did seem to be drawing participants away from the LEP.

Such changes form part of the new LBS strategy of greater segmentation: pitching particular courses at particular points in the career of a particular type of manager. The one market segment no British business school has yet really cracked, Stopford admits, is the boardroom itself.

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TECHNOLOGY

EDITED BY ALAN CANE

World's power networks offer new communication possibilities

CEGB moves messages with power through the grid

BY GEOFFREY CHARLISH

IF YOUR phone bill comes to £4m annually and if you have already strung power cables on towers throughout the land, then you might well turn to the in-house use of those cables for telecommunications.

That is the Central Electricity Generating Board's position of course, but the problem is that the national grid network is designed to carry high power at 50 Hz, not minute communications signals perhaps a thousand times higher in frequency.

The Board has tried several ideas already. For example, the "power line carrier" technique of the 1960s is still in use in places but the physics of the massive transmission lines means that only a few audio channels can be carried and there are awkward problems of isolation of the terminal and repeater communications elements from the high voltage.

Microwave dishes on the grid towers have been tried too, but they are not cost effective and frequency allocations can be difficult.

Now however, fibre optics, immune from the serious interference problems encountered on big power lines, has come to the rescue—and could even open up a new telecommunications market.

It was soon seen that the fourth cable, an earth conductor that is always strung along the very tops of the towers to deal with lightning strikes and fault currents, could easily have some optical fibres embedded in it at the manufacturing stage.

That is what BICC, the big cable maker, has done and an experimental link is now in action on a 400kV line between Fawley power station in Hampshire and Nursling substation some 21 km away.

It is an elegant idea, obviating the need for any extra cables and the problems they would produce in the very high voltage environment while at the same time the fragile fibres are fully protected inside the inch thick armoured cable.

The BICC system, called Fibral, employs Plessey repeater and terminal electronics and can carry digitised data and voice traffic at 34 megabits per second—the equivalent of about 500 phone conversations—on just two fibres.

The whole idea provides ampla room for speculation. For example, although the Board needs such links for a considerable volume of telemetry, protection circuit signalling, an increasing volume of commercial data traffic and, of course, speech, it seems unlikely to use more than perhaps a quarter of the capacity on the two fibres. Bearing in mind that many more fibres could easily be incorporated in the central tube of the cable, it is evident that such an organisation could, if it were so minded, offer very high capacity communication to other parties.

There are many developed countries with in excess of 10,000 miles of overhead transmission line, usually well spread within their borders.

Seen in the light of the increasing interest being shown in communication aver local parts of electricity supply networks—albeit on private premises at the moment—then wideband trunk communications over the grid seems an even more exciting prospect. Given modern digital electronics and some money, determination and vision, it might not be out of the question to simply plug a phone into the mains and talk to the other aide of the country.

The present position of the CEGB and many similar bodies worldwide is that they are in the electricity supply business, not the telecommunications business. But such borders are crumbling, as evidenced by the Mercury project of British Rail and Cable and Wireless, in which BR's wayleaves (legal permission to run anything on someone else's land) are being used for communications.

Wayleaves of course, will be "the name of the game" if and when the "wired Britain" idea matures, starting no doubt, with cable television.

Speculative as the whola concept may be, there exists the basis of another network that reaches into every house, office and factory throughout the land—which cannot be said of the phone network.

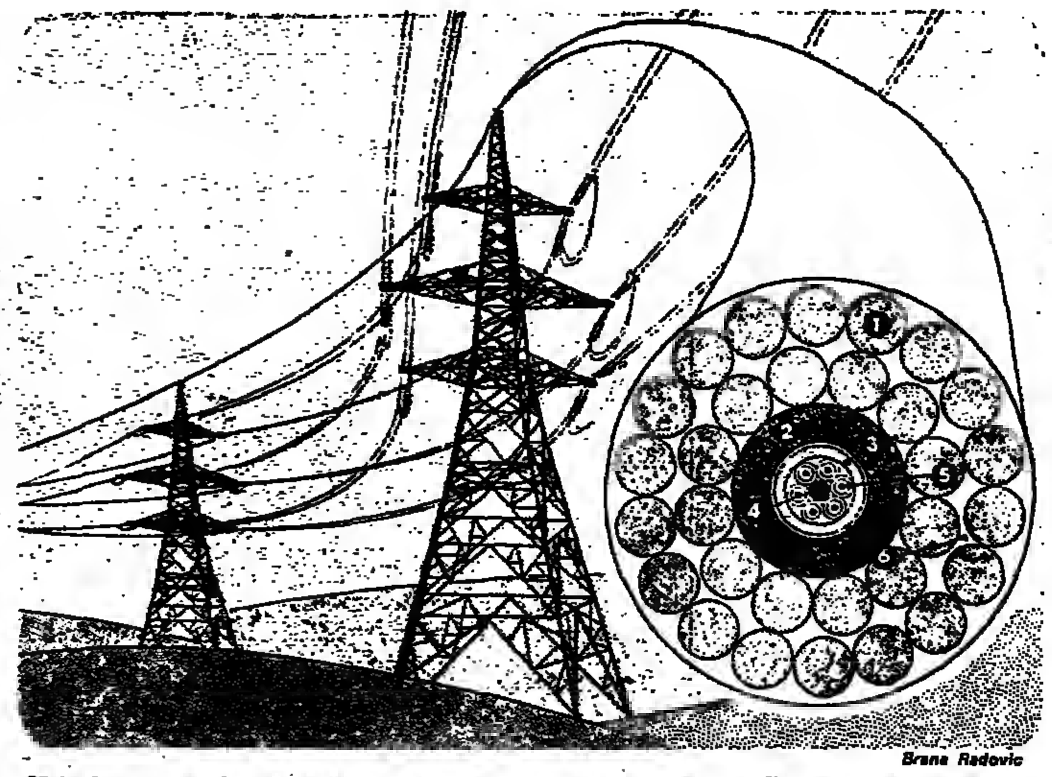
But in the immediate scenario, Dr Peter Hayward, of CEGB's Guildford transmission centre stated at the Fawley demonstration: "If we were building the grid from scratch today, this system would certainly make economic sense."

In fact, the Board is faced with the cost of replacing 11,000 miles of earth wire at a time when growth in the electricity industry is static and cash short.

BICC and Plessey will be exploiting the "in-house" requirement for these systems throughout the world with electricity authorities which, like the CEGB, are looking for ways of cutting costs. Field trials are already underway with Hydro-Quebec near Montreal and with Pennsylvania Power and Light in the U.S. The Middle East oil states are also seen as a prime target.

BICC is in the useful position of having expertise in both power and telecoms optical cable and for some years has been co-operating with Plessey, which has been quick off the mark with transmit and receive devices at the 1300nm wavelength.

The cable system has been tested between 80 deg C and −40 deg C, subjected to thermal pulsing to 200 deg C (a condition that arises during lightning and faults) and has been oscillated mechanically some 70m times.



Brana Radovic

Main features of the CEGB/BICC tower-top earth wire for high capacity data transmission has aluminium outer wires (1) wrapped round an alloy tube (2) containing the fibres in anti-vibration compound (5)

Pelt grading

Automatic check on the mink

BY MAX COMMANDER

MINK, according to items I have read in various newspapers of late are nasty, vicious little animals. If they escape from the farm they are likely to savage your pet dog, eat the cat, bite your finger off, but, dead and processed look rather nice draped across your wife's shoulders.

Without entering conservation/wildlife ethical areas mink is big business from June to March. The little beasts born in mink farms in the UK, elsewhere, and, particularly, the Soviet Union, end up dead at Hudson's Bay and Annings in the City of London. Auctions of all this valuable fur start in November.

Exhausting

For something like 300 years this trade has been carried out with Hudson's Bay experts sorting the pelts manually for colour, sex, size and quality.

The sorting—an exhausting, time consuming process, and presumably not easy on the eyes of the technicians involved — means that the pelts have to be prepared in lots of matched skins to meet fixed auction dates.

Tha time available to carry out the operation is also dependent on climatic conditions. Hudson's Bay with warehouses in London and Europe also handles about half of the USSR mink output with the other 50 per cent going through Leningrad.

Now you think that standing by a Hudson's conveyor sorting all these millions of dead mink pelts isn't a bad job. I wouldn't have thought you could get a job if you were colour blind.

Put the white ones there, the black ones somewhere else, but it really is not as easy as that.

Tha experts say that there are, in the fur trade jargon, 15 colour types for mink with nine shades in each type. That is about 135 different variations.

I'm sorry to have to say it but it looks as though these 30-year-old colour graders at Hudsons might be redundant (tha company has not said this).

Because to the rescue of the mink grading business thera are 14 students of the Cranfield Institute of Technology. These are people studying for M.Sc. degrees in the Department for the Design of Machine Systems —the teaching wing of the Cranfield Unit for Precision Engineering.

Final year students are expected to design and build a sophisticated machine after some years' experience of engineering design in industry. Cranfield and Hudson's Bay have had close links for some years.

After some research the students have come up with a machine which they call a colour evaluator. The pelts are fed singly by hand through tha machine via a moving line.

Each pelt is prepared and its colour "evaluated by a novel and secret process, controlled by the computer." Jack Dinsdale, senior lecturer at Cranfield refuses to give details of the process until patents have been prepared.

All I can say is that if you have a few thousand mink lying around and you're not too sure about colours it might be worth talking to Cranfield or Hudsons. Respective numbers are Bedford for Cranfield (0234 750111) or Hudsons (01-236 3223).

Computers

Business information at home

THE IDEA that viewdata technology gives everybody with a domestic television set a computer terminal in their home takes on a new dimension with the latest from Computer Automation.

It has developed a package of computer instructions that makes a domestic viewdata set behave as if it was one of the most popular IBM computer terminals, the 3270.

This means that a company with a large IBM mainframe computer—say a 3031—could make it possible for its executives ta get business information from the computer in their own homes.

The catch is that the company has also got ta have a Computer Automation machine to run the software.

It works like this: the business executive telephones the Computer Automation machine (it's called a SyFA and it looks like IBM's office systems computer, the 8100) and requests access ta the main computer. Specialised software in the SyFA connects it ta the mainframe computer and makes it look as if the viewdata set is an IBM terminal.

The SyFA system can carry out other applications like local processing and networking while running the viewdata package.

Called SyFATEL, the package with the 3270 option costs £15,000.

Servo-systems

For a tough environment

NEW, RUGGED electronics is making possible automated process control in tough environments where only a few years ago, manual systems would have been essential.

John Vince Controls of Lanarkshire, Scotland, has just developed a new range of microprocessor based heavy industry servo systems. And, according ta John Vince: "The electronics are suited for use in situations where card frames would be effeminate and are constructed to be maintained by traditional craftsmen."

Vince's U.S. company has just put in a heavy duty forge press at Cameron Iran, Houstan, Texas. Built to forge giant valve bodies for oil pipelines and the like, it develops 35,000 tonnes pressure.

Monitoring

Radiation meter

NUCLEAR ENTERPRISES of Beenham, Berkshire, have introduced a new pocket-sized device ta measure personal radiation dosage levels.

It measures dose and dose-rate simultaneously and provides digital readout on a tiny liquid crystal display.

According to Nuclear it will provide campany health specialists with a dose measuring and recording system which can be linked to identity security systems; it also allows the pre-planning of tasks and automatic adjustment of alarm levels so that aperator time is used to best advantage.

The dosemeters—designated the PPDI units—are supplied along with a manually controlled interfaca which provides data communications. Computer control is added by fitting the interface unit with the appropriate circuit board. Nuclear Enterprises is on 073-521 2121.

Labelling

Jetadress printing

FBM Business Machines has come up with Jetaddress, a high speed direct printing system which adds a new dimension to addressing and labelling methods.

The machine uses ink jet printing, a process in which tiny droplets af ink are fired at the surface af the paper and then immediately redirected by electric fields to form characters as the paper moves past.

Because na direct contact is made with the surface, the process allows characters to be printed on almost any surface however uneven including packages, cartons and plastics bags.

THE ARTS

Architecture

Colin Amery

Are you sitting comfortably?

Sit down and think of an architect. There is a fair chance that the piece of furniture you are sitting on was designed by or influenced by an architect. In an excellent small exhibition at the RIBA Heinz Gallery (21 Portman Square, London, W1 until October 30), *Architects' Designs for Furniture*, the evidence of the involvement of the architect with furniture throughout history is displayed for the first time.

The exhibition coincides with the publication of a book by Jill Lever (*Architects' Designs for Furniture*, Trefoil Books, London, Hardback £11.95, Paperback £5.95), which is one of the promising series based on the riches of the RIBA Drawings Collection.

There are advantages and disadvantages to be found when books and exhibitions are based on the resources of the collection. While it is undoubtedly rich there are bound to be gaps—it seemed particularly unfortunate that because the Charles Rennie Mackintosh drawings live in Glasgow this seminal furniture designer is not represented in the exhibition. Despite a few holes of this magnitude the exhibition has enormous scope. It covers the period 1600-1939 showing work of the architects who designed furniture and interiors in this country.

The show is principally of drawings with a few items of arts and crafts furniture and sometimes it is difficult to see the innovative value of the architects' design without the presence of the actual furniture. As a survey and a book this concentration on furniture raises some interesting questions. Jill Lever herself asks the important question: "Do architects design the best furniture?" Her reply is very positive, even biased in favour of the architect. I think, taking a broader view, that the influence of architects is much less significant.

The best furniture that has been produced in England was the work of Chippendale and Sheraton, and the most influential designer was undoubtedly Thomas Hope, who was an amateur designer and a great collector and connoisseur. His *Household Furniture and Interior Decoration*, published in 1807, had more influence on architects and the progress of the Neo-Classical ideal than any designs by the architects. The great furniture makers were close to the crafts and it is this factor that makes someone like Chippendale much more influential than an architect like Chambers.

The lack of comparative material and the difficulty of discussing the actual craft of furniture-making should not distract you from the splendours of this small exhibition. From Robert Smythson's design for a tiny closet or study (circa 1600) to the stripped simplicity of Marcel Breuer (1902-81) the drawings are best read as emblems of the development of style. Look at the work of architects like Oliver Hill and Edward Maufe, and you are immediately aware that furnishing in the 1930s was an expression of the conflict between luxury and taste.

A chaise-longue for double siestas designed by John Vardy 1761

Kent, Talman, Pugin, Burges, Voysey, Lutyens, Wells Coates and Erno Goldfinger are all represented but perhaps the most enchanting designs are those which mix the styles. Cockerell's Anglo Indian furniture for Sezincote, Lutyens's Indo-Regency for the Viceroy's House in New Delhi and the whole heavyweight move into the clumsy Gothic of the late Victorians. Furniture, after all, is the place for real design experiment.

Streetwise/The Factory

Rosalind Carne

Critics ought to have the decency to keep quiet about their schooldays, but I must confess that Barry Reckord's new musical play strikes instant chords of recognition. Chords of sadness too. If this is a contemporary view, things haven't changed much; adolescent sexuality is still wracked by guilt, repression and confused longing. I had hoped girls were learning to understand their needs, but it seems that while we said "no" when we meant "yes," nowadays they say "yes" when they mean "no." (For those who have seen the show, I should add that I have never been gang-raped in a graveyard while a greasy haired thug looked on, wielding a knife).

A depressing vision then, but the theatrical experience is continuously lively, and often very funny. This is the West Indian writer's first attempt to add music to a script, and he handles it well, in a palatable blend of old and new ranging from Belafonte-style calypsos and love songs, to rap, ska and reggae.

The setting is a school music room, doted with instruments, and the crisp, authentic dialogue shades easily into song. When the boys complain they can't find girlfriends(or a boyfried, in one case) teacher leaps tot he piano and instructs them to "sublimate, if you can't get a date."

"*I don't want to woo, I only want to screw*," replies her sophisticated pupil.

Yvonne Brewster directs a talented, mixed-race cast, and the musical arrangements are by Chris Harrison.

Chamber Orchestra of Europe/Elizabeth Hall

Dominic Gill

This young virtuoso band was founded last year by a group of players working with the European Community Youth Orchestra, with the admirable aim of combining "the professionalism and organisation of the senior world together with the spirit of enthusiasm and love of music-making found in youth orchestras." James Judd was the resident conductor, Claudio Abbado the artistic advisor. In barely 18 months, the COE have succeeded in translating their ambitions into musical reality with enviable success.

Their performances have a freshness and a vitality that put most established (and all too often established-*sounding*) chamber orchestras to shame: from the start to the finish of their concert conducted by Maurizio Pollini on Thursday night the sensitivity of the playing, its fine-cut articulation and responsive attack, were a constant delight.

It is an orchestra that a great conductor could do great things with; and it is at this point that one is tempted to wish that Pollini might step down from the rostrum and return to the keyboard where his genius decisively belongs. His direction was perfectly acceptable — decent, intelligent, well made; but there was nothing in it which was truly outstanding, or which revealed the unmistakeable stamp of an original conducting personality.

There was every reason to suspect that his account of Mozart's piano concerto in E flat K482, conducted from the keyboard, might have been more interesting, and far more delicately nuanced, without the distraction of extra responsibility. The performance was so good already; and little flashes of radiance—in the slow movement especially—shone through from time to time to show what it could in other circumstances have achieved.

Both Mozart's C major symphony K200 and Haydn's London symphony were spectacularly well played, and less spectacularly directed. In a way, that was enough—more than enough, certainly, for satisfaction. But that tiny cloud remained: the thought, and every now and then a tantalising glimpse, of what might have been.

Jazz in the Midlands

The Jazzcentre's Midlands branch has a busy autumn season scheduled beginning in early October with a tour by Sphere, starting October 5 at Leicester.

Altogether 33 Midlands tour dates have been arranged involving seven different bands going to ten Midlands towns and cities. In addition the Midlands branch wil besupporting promotions in a number of other locations.

Prince Igor/Opera North

Arthur Jacobs

The Popularity of the overture and the Polovtsian Dances should be sufficient bait. Those who take this rare chance of seeing Borodin's *Prince Igor* on the stage will find the entire opera well stocked with magnificent memorable music. It is fitting that the honour of reviving it for a new generation should fall to Opera North, of which David Lloyd-Jones is artistic director. The most knowledgable of British conductors in the field of Russian opera, he has himself revised the surviving musical text (Borodin left the opera unfinished) and has provided a new translation. Working with a gifted producer who also happens to be Russian-speaking, Steven Pimlott, he delivers a performance of conviction and excitement.

The story of the 12-century Russian ruler battling against southern invaders gave the composer his powerful contrast between a Russian and an exotic musical idiom—stern, archaic faith versus splendour and libretto. With characters half inspire him to write a good libretto. With cmharacters balf realised and various other disproportions, *Prince Igor* is better in its parts than as a whole: Mr Pimlott, with Stefanos Lazardis as his designer, wisely takes a conceptual rather than realistic look at the plot: the Russian prince still wears his northern furs when in southern captivity where women bewail the heat and dance in the lightest of clothing. The simple but effective staging, with all the action taking place as if in the open air, no doubt aids the convenience of touring this production to Manchester, Nottingham, and later (I trust) more widely still.

In the famous Diaghilev performances of the Opera some 70 years ago, Shalyapin astonished by his double portrayal of Igor's treacherous brother in law, Galitsky and Igor's enemy, Khan Konchak. Partly for this historic reason, the score is generally considered one of mainly male vocal glory. Not so here: the honours go to Margaret Curphey in a superbly sung and passionately acted performance as Yaroslavna, the true-hearted wife who the warring Igor leaves behind. The lucid handling of the words gives an additionally keen edge to this portrayal. After her four-year absence from the stage for surgical reasons it is a particular pleasure thus to welcome Miss Curphey's return.

Other leading roles fared less well on Saturday. Malcolm Donnelly failed to show the sustained noble line necessary for Igor's great aria in captivity while in Roderick Kennedy's Konchak the requisite low notes were barely heard. Tom McDonnell was better as the villainous Galitzky, though he did not calculate the climax of his aria very well. A more lyrical tone than Robert Ferguson's was needed for Igor's son Prince Vladimir, and the seductive sweetness of Konchak's daughter was not to be found in Anne Wilkens's singing or her angular poses.

John Michael Flanagan, Graeme Matheson-Bruce and Philip Mills brought their small parts to life and the strong choral and orchestral performance was joined in the famous dance sequence by vigorous but rather messy movement (choreography by Terry Gilbert). The shortcomings of individual execution, in which I include some ill-guided lighting, may well be alleviated as performances progress; the total impact of Borodin's music under Lloyd-Jones's leadership will, I am sure, remain to delight.

Schweyk in the Second World War/Olivier

Michael Coveney

Richard Eyre set himself a hard task to follow on this stage after his production of *Guys and Dolls*, but I cannot imagine a finer staging of Brecht's uneven epic play. Where it sags, most notably on the long march to Stalingrad, it is hard to see what more Mr Eyre could have come up with. He gives us swirling clouds, a snow storm, a Niagara of white smog enveloping the front stalls and a final descent through a trapdoor of a huge Hitler puppet who is as lost on the map of Europe as his little pragmatic collaborationist colleague Schweyk.

The stage is dominated, in William Dudley's designs, by huge Grosz-like caricatures of Stalin, FDR, Churchill and the Nazi gang. As we zoom in on the solid Prague tavern, there is talk of the assassination attempt on Adolf. A long pause, and up pipes a precise, wheedling, Scottish inquiry from the snug —"And which Adolf was this?"

Right from the start, the relation in scale between the lower and higher regions is brilliantly established. I have seen Schweyk played as a blank innocent to whom things happen, or else as a loony victim of his own spirit of adventure. Bill Paterson's superb performance comes across as a distant relation of his ridiculously adept exponent of the flowery phrase in *Writer's Cramp*, the poet F. S. McDade. His stories, proverbs and *exempla* gush forth with always convenient regularity, saving a situation and turning it round as befits the expression in his listener's eye.

When Bullinger the SS officer (Harry Towb) is talked out of persecuting Schweyk with the offer of a dog, he stands amazed at the appalling ingenuity of the dog-dealer's devious chatter. He suspects his adversary, but cannot tear himself from the spot. There is a devilish quality to Mr Paterson's indefatigable *spiel*, a palpably hypnotic charm that fully justifies his reputation as a spellbinder.

Everything Schweyk says is saloon bar banter of a rich and highly colourful texture. And when needs must, the art of it, the sheer technique alone will suffice. In the railway yard, the guard is bamboozled not by argument but by a dazzling absurd memnonic lecture. Deferential and insinuating, Mr Paterson sets up his target and shoots him down with a cunning smile as he crosses his legs to make a point.

The acquisition of Bullinger's dog in the park is another beautifully laid out sequence. There is a bench, a street lamp and a background of cut-out trees. Schweyk sidles around, legs eloquently visible behind the foliage and finally crawls across the floor on his stomach dangling the sausage as the little brown terrier eyes him with Bullinger-like amazement from behind the lamp post. Here, as throughout the evening, nothing is spared to make something generous and satisfying of the play's physical action.

Othello/Young Vic

Rosalind Carne

Mediocre Shakespeare is a bleak experience at any time, but it is particularly troubling in front of an audience of hopeful youngsters. Actors bound dutifully on and off in velvet doublet and hose, spilling out iambic pentameters with soulless competence, punctuated by a sound machine of drum beats, soughing wind and canned jubilation.

There's not much hope from the start, though Anthony May's Cassio is unusually appealing and I did have a glimmer of sympathy for Kenneth Haigh's pleasant, well-mannered Othello, boot-polish notwithstanding. But pleasant well-mannered gentlemen don't readily go wild and murder their wives, and Mr Haigh was lost very soon after the terrible temptation scene of Act III. No amount of nervous twitching and eye-rolling can compensate for an emotional pitch that drops lower and lower as the demands of the text push it higher and higher. He is ill-served on more than one count by John Boswell's unimaginative, roughneck Iago. The only possible explanation for his terrible action is the wrong one —Amanda Boxer's shallow, whinnying Desdemona is manifestly untrustworthy from the moment she opens her mouth.

Alastair Muir

Hugh Hunt directs this inauspicious opening to the theatre's Venice Season, though, apart from adding an extraneous Commedia dell' Arte dumb show, it's hard to detect much direction at all. I managed to stay awake through the last act by silently humming Verdi, inspired by Bernard Culshaw's old-fashioned, operatic-style set of windows, balcony and staircase.

Götterdämmerung/Covent Garden

Max Loppert

Götterdämmerung, spectacular stage engineering, lighting, texture contrasts, and all, is the opera in which fascinated distaste for hte Götz Friedrich *Ring* hardens into conrete dislike. After six years, and heaven knows how many reasoned critical assaults on the *ruinous handling* of Siegfrie's death and the Immolation (with Alberich still shambling across the close, to slightly altered purpose but to the usual meaningless end), there we sat on Saturday, suffering yet again the dreary, musicalyl incomprehensible sight of the dead hero left lying like a picnic abandoned in the rain, still being forced to stomach the cycle's mighty culmination as a cheap exercise in operatic "alienation" plus acrobatics.

Instructive, on a minor level, to note how the passage of time has already left its marks on the production (as it could never have done on something made of less modish stuff): the fun-fur and futuristic lens-panels of the Gibichung palace have the look of yesterday's "in" fashions, dated, creaky, slightly embarrassing. In *Götterdämmerung*, Friedrich's game is up, his Wagnerian ambitions exposed, for all the glittering expertise of their manufacture and the weighty didactic pretensions with which they are accompanied, as an unworthy sham.

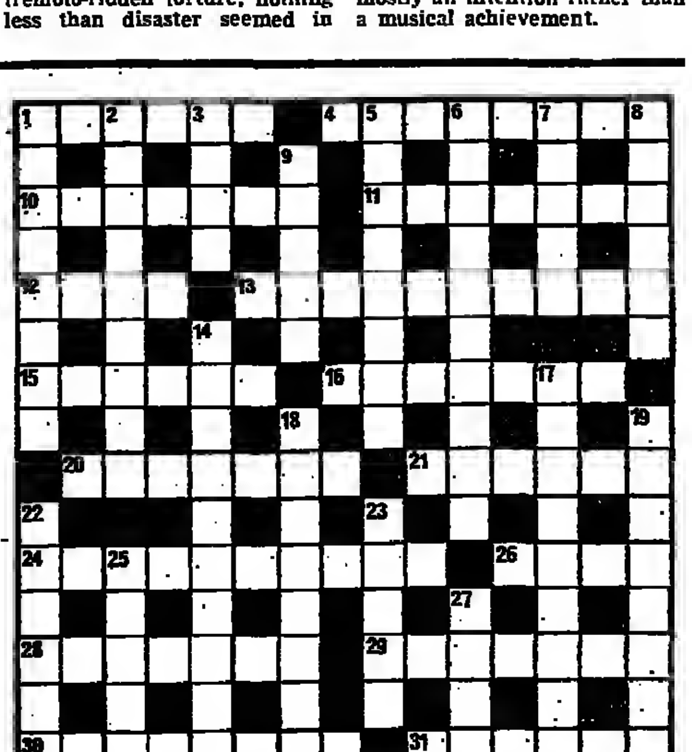
The puzzlement of all this is that, though Saturday's performance intermittently affronted the eyes and regularly the Wagnerian intelligence, it was musically a fine thing. From the first, this was the *Ring* opera to which Colin Davis brought greatest mastery; now, that mastery has grown triumphantly complete. Across the long evening the stage was informed by a musical momentum, unforced naturally derived from the long lines of the musical movements, that took each act to climaxes of genuine excitement.

The enlargement, in this final part of the tetralogy, of the musical vocabulary, the grand-opera leanings—these were drawn upon with wonderful security of purpose, and the effect, with alert choral contribution, was not just imposing but grandly conclusive. The orchestra was far from faultless (the brass departments again exposed weaknesses persistent throughout the cycle, the strings their comparative thinness of weight and body). But against every expectation, and even while every protest against the staging was being retrospectively marshalled and deployed, I came away from the theatre caught up once again in the full *Ring* thrall.

Fittingly, perhaps, Gwyneth Jones's Brünnhilde touched new lows and highs. Her first five minutes were the purest tremolo-ridden torture; nothing less than disaster seemed in view, and even later, when prospects brightened somewhat, the listener was continually being brought up short against the flaws, the bumps, the short-breathed approximations of her erratic vocalisation. But even the most captious Beckmesserisms were apt to find themselves suddenly surrendering to the Leider-like intensity of Miss Jones's whole being: this is a Brünnhilde who feels, and responds, and throws herself into the thick of the action, without the smallest stint or question. A new seriousness and dignity suffused her at the end, and regrets were swallowed up in an impression of blazing nobility.

Alberto Remedios' Siegfried, moments of strain apart, came much nearer than in the earlier opera to his personable, lyrical best. Valuable newcomers included Anne Evans, excellently filling out the sometimes shadowy role of Gutrune, and Elizabeth Vaughan's Third Noro; Marta Szirmay, on the other hand, was a painfully hooty First Noro, and Barry Mora a slight Gunther (in Friedrich's opera, a proud German prince becomes a stock capitalist-decadent weakling, to small purpose). Fritz Hübner's Hagen commands vocal volume and physical stature, but almost no deducible interior vitality; the semitonal downward movement of his "Hoi-hos" was mostly an intention rather than a musical achievement.

F.T. CROSSWORD PUZZLE No. 4,983



ACROSS

1 Tense alternative for the shepherd (6)
4 Third-party cover? (8)
10 What are students doing at this university? (7)
11 His gut more attuned? (7)
12 Inflexible golf-club (4)
13 It is composed of trees —— red variety in it ... (4-6)
15 ... but the Black Forest one is rich at table (6)
16 It is in reasonable condition of course (7)
20 Fourth of July singer, perhaps, gets shot from it (7)
21 Old tribunal lost colour, leaving formality (6)
24 One is used in Marc Antony's digression (10)
26 Good batsmen, but no opener —umpire announces it in Scotland (4)
28 Musical setting as part of descant at Aachen (7)
29 Sleepyheads? (7)
30 Italian port —— Nero sort, mulled (8)
31 Place of origin of rock music? (6)

DOWN

1 Food in cans (8)
2 Ready for putting out at Troon? (9)
3 First author of "The Moon and Sixpence" (4)
5 Motorway to Scotland, celebrated as quicker route (8)
6 Rich rulers needing tact - plus, or proper organisation (10)
7 Fibre for making paper for - butter (double English) (5)
8 Teachers' body at Eton's opening makes us droop (6)
9 Looks amorously —— ring a variety of girls (5)
14 Beaten team sat grim, almost, on the bench (10)
17 What is the point Fletcher is making? (5-4)
18 In blissful state, say (8)
19 Formalist, according to the book (8)
22 Four elements of party organisation (6)
23 Leather strip —— some thing it (5)
25 Proprietor to be in town ere long (5)
27 Hamlet's famous Philip, we bear (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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The challenge to Labour

IT WOULD be foolish to write off the British Labour Party because Mr Michael Foot continues to score record lows in the popularity ratings of political leaders, or because the Party seems to have spent the past few years engaged in internal disputes, or even because Labour's share of the national vote appears to be on a secular decline.

All of those factors are surmountable. Mr Edward Heath, the former Tory leader, survived very low personal ratings in the late 1960s to become Prime Minister in 1970. The Labour Party has had internal wrangles before, yet has been capable of more or less putting itself together as an election approached. And such is the nature of the electoral system that Labour could win a parliamentary majority with the support of little more than one third of the voters. In recent opinion polls it has rarely dropped below 30 per cent.

That is the positive side, from Labour's point of view. Yet as the Party begins its annual conference in Blackpool today, it can be hardly denied that it is in an acute state of crisis. It is not only the Militant Tendency that matters, of course. If Mr Foot does not succeed in his aim of establishing a register of affiliated organisations — from which Militant will exclude itself—the internal strife will go on and on, and the leader who came in as a conciliator to unite the Party will lose what credibility he has. But, assuming that he does succeed, there will be other hurdles to come.

Promise

To borrow a phrase from Mr David Steel, Labour has perhaps one year in which to "prepare for government": certainly not much more, and possibly less. It is not well prepared at present.

The fundamental plank in any Labour programme is likely to be the promise of a close working relationship with the trades unions. In a sense that was always so, but this time more than ever. Labour is no longer quite the national party that it seemed to be under Mr Attlee in 1945. It is the unions which bale it out financially and upon which the Party now relies for its *raison d'etre*. Mr Foot would surely not dissent.

That is not automatically bad. During a period of exceptionally high unemployment, any party which can make a credible offer of harmonious relations with the work force and its leaders, and a plan for recovery, deserves to be taken seriously.

The question is what is on offer, and is it credible? The latest evidence—from the TUC Conference three weeks ago—suggests the majority of the unions still reject an incomes policy, on which the bulk of Labour's economic platform is supposed to be based. It is true that the conference went on to accept unanimously the idea of an annual economic assessment, in which some form of incomes policy is implicit.

Confusions

But there are confusions here still to be cleared up. How, as Mr Sid Weigbell of the National Union of Railwaymen pointed out at the time, can you have direction of investment and practically everything else without direction of wages? That is only one example, though admittedly a large one, of how far Labour has to go to develop a plausible policy.

There are also questions of priorities: withdrawal from the EEC, the imposition of import and exchange controls and rejection of cruise missiles all at the same time? Each of those items is in the Labour Party programme, but in no particular order. Taken altogether, they point to a lonely place in the world and an impossible amount of parliamentary business.

These are early days to comment on an as yet unwritten manifesto, but in Blackpool the Party ought to be thinking about it. Labour still has able people: Mr Healey, Mr Shore, Mr Hattersley and Mr Varley are at least as competent as some of those who defected to the Social Democrats or are on the Tory front bench. Mr Foot has shown finesse in dealing with Militants. But it is time to begin developing a programme for office.

Quite the worst result of the election would be for Labour to scrape back to power because of the vagaries of the electoral system, and then to have no clear idea about how to proceed.

Protectionism and farm products

HARSHLY criticised by its trading partners, the EEC has been seeking to rebut charges of excessive agricultural protectionism, of wasteful farm support spending under the common agricultural policy and wanton disturbance of world markets through subsidised exports.

A Commission report to the European Parliament argues that the impact of the common agricultural policy on the trade of the developing countries has been relatively limited. The EEC's share of developing country farm exports was the same in 1979 as in 1962, when the common agricultural policy was introduced. Further, the EEC remains the main market for the agricultural products of the developing world, importing on a per capita basis twice as much as the U.S. and Japan. Not only that. Three-quarters of the EEC's agricultural exports are products for which developing countries are net importers.

The difficulty with this global approach is that it hides difficulties for particular products and particular countries.

By last year the EEC share of world markets had risen, through subsidised exports, to 18.3 per cent from 8.3 per cent in 1976. With a world glut, the EEC has contributed to the reduction of free market prices.

Tariffs

While the EEC may be the biggest customer of the developing countries, this is not the same as saying that access to the market is always easy. In the 1970s rice imports were subject to import levies running up to 60 per cent of EEC entry prices. Over half of the EEC's coffee imports are subject to duties. Cocoa coming from countries not part of the Lome Convention meets duties. For agricultural raw materials, the basic commodity may be tariff-free, but an article processed from it in a developing country would frequently attract a tariff and, in the case of cotton textiles, a quantitative restriction as well.

The EEC is not unique. A special study on protectionism commissioned by the Commonwealth Secretariat noted a long-term rising trend in Japan's agricultural protectionism and a tendency in the U.S. to greater protection for sugar and livestock products. All three subsidise exports to a greater or lesser degree.

The important point about the reluctance of the industrialised countries to permit open trade in agricultural products is that it retards the growth of the developing countries. Unless that growth is maintained and translated into exports then the shocks to the financial system caused by the debt problems of countries like Mexico are only a harbinger of worse to come.

If the industrialised countries reduced their agricultural trade barriers by 50 per cent, according to the International Food Policy Research Centre, there would be an 11 per cent increase in developing country exports worth $3bn at 1977 prices. Such a reduction would encourage new investment and further specialised production.

Unrealistic

The present economic climate and the power of the farm lobbies makes such a sweeping approach unrealistic to contemplate. The barriers have been put up over 30 years and even under the easier circumstances of the Tokyo Round trade negotiations in the 1970s there was little disposition to reduce protection. Agriculture has slipped away from the disciplines of the General Agreement on Tariffs and Trade (Gatt).

The trade issue cannot be considered apart from national agricultural policies and until the latter have become more closely geared to the needs of the market, rather than being seen as a benefit for farmers, protectionism will remain in place. But there are several opportunities for immediate, though limited, action.

Very serious consideration should be given to the Australian idea of a standstill on all protectionist measures. A commitment on this could be part of the communique from the Gatt ministerial conference in November. This would provide a breathing space to consider ways of unwinding the web of barriers. Within the Organisation for Economic Co-operation and Development, talks planned for next month on export subsidies could be used both to discuss ways of imposing ceilings on the level of subsidies and disentangling food aid and food trade.

The EEC role in this process would be vital. Without the EEC, no agreement is possible. First then, it is necessary for the EEC to acknowledge that there is a problem and not to consider criticism of the common agricultural policy's manifestations as harassment.

David Housego, Paris Correspondent, interviews France's Prime Minister

M. Mauroy's counter-attack

M PIERRE MAUROY, France's Prime Minister raises an eyebrow and shows his surprise with an elaborate gesture of the hand. Of course there has been no U-turn in French economic policy. Anyone who thinks there has must be suffering from a severe optical illusion. Perhaps there has been a change of means, but not of political objectives.

He is a heavy, big-shouldered, exuberant man bursting with health and good humour. In a long interview with the Financial Times last week he often spoke with his characteristic musical lilt, hands and body swaying to the rhythm of his words.

Now 53, he has spent his life in the Socialist movement and is the party baron in northern France where he is still mayor of Lille. President Mitterrand picked him for his ability to generate enthusiasm and to knead together the different factions in the party. Until earlier this year he was still touring France like an evangelical preacher announcing that "recovery is at hand" and that the Government was on the right course.

He is still determinedly optimistic. But implicitly he recognises that the $4bn loan, raised this month to bolster the franc, has provided a welcome breathing space not only for the franc, but also for him.

As recently as mid-August it seemed that President Mitterrand might replace him before the end of the year. M Mauroy's popularity had tumbled in the opinion polls (as had that of the President) in the aftermath of the June devaluation of the franc and the shock of the subsequent wages and prices freeze. Critical comments by President Mitterrand to friends on the way M Mauroy was running the Government suggested that the President had lost confidence in him.

Then, after the Cabinet meeting at which the $4bn loan was approved, M Mitterrand for the first time lent his name publicly to the defence of the franc and personally endorsed the Government's austerity measures. In one of those elliptical Gaullist style phrases almost impossible to translate. He had no doubt, he said, that from month to month "la fécondité de la nouvelle économie française s'affirmera" (that the new French economy will bear fruit). Since then, M Mauroy's star has again been in the ascendant and he has moved on to the counter-attack.

"I arrived in office with a plan of navigation. It was the course proposed to the French people by the President of the Republic during the elections. What were our objectives? Decentralisation, labour reforms, new nationalisations, industrial modernisation, the right to retire at 60 . . . we had before us a perspective of economic recovery and we embarked on a programme of expansion through increases in consumption.

"Then we saw that our industry, which has made progress, was not in the same position of strength to take advantage of this pick-up in consumption as was industry abroad and particularly in our neighbouring country, Germany.

"The economic crisis is now far deeper. Will there be a recovery? I don't know . . . but at all events we are now ready to face this situation. . . . The currents have been greater and more turbulent than we thought. We found boulders on our way and we have stopped to push them aside. If there is a turning, one has to take it. But a turning that involves means, not policy objectives."

Since June M Mauroy's partner in this tricky act of navigation has been M Jacques Delors, the Finance Minister. They have been the main architects of the stabilisation measures designed to keep France within the European Monetary System and to avoid a third devaluation. At first sight, the two could not be more unlike.

M Delors immediately impresses by his immense seriousness and intellectual honesty. Undistinguished in appearance, sparing of words, he surprises by his unexpected, warm flashes of humour and his knowledge of bygone films. He has the rare quality in a politician of uniting his personal and political beliefs into a coherent philosophy of the world — one rooted in Christian socialism and consensus in society in opposition to the Marxist conflict of classes that provides the ideological mainstream of the French Left. As a former employee of the Bank of France who had earlier served in government, he was picked by President Mitterrand to add experience to the administration.

M Delors had a hand in M Mauroy's conversion to the virtues of anti-inflationary policy as the prerequisite to long-term job creation. But he considers that the world economy is indefinitely stuck in a rut—taking for his holiday reading Keynes's letters and a history of the Depression years. He believes that the Socialists must be prepared for the worst.

Temperamentally and because he is the leader of a Government committed to social change and lowering unemployment, M Mauroy personally dislikes such pessimism. He recently demanded that the new five-year plan prepared by M Michel Rocard, the Minister of the Plan, who is equally gloomy about the years ahead, should be revised to provide a more optimistic horizon. "I see that the crisis is serious," the Prime Minister says, "and I do not see how in the months ahead it will improve. But we must not let ourselves be overwhelmed by a sense of catastrophe or fatalism. . . .

"We must be determined to impose our own will on events . . . which means trying to obtain the maximum possible rate of economic growth. Never, never will we accept on a political level a path of zero growth or even less than zero. We recognise that there are constraints and we will do all we can to escape them."

In fact, the crucial debate within the Government is over the rate of growth which will be possible after the period of austerity. The constraint that became fully visible last year was that in running a higher growth rate than its neighbours, France exacerbated its trade deficit by sucking in imports and thus added to the pressure on the franc. M Delors firmly believes that if OECD or German growth rates fall further, France must lower its growth rate in step.

M Mauroy speaks a similar language when he says that if the economic crisis worsens then "there can be no question of relaxing our effort in adapting to it." It is also the view accepted by officials at the Elysee. But it is not the view of some Ministers in the Government—nor necessarily of President Mitterrand—who are concerned that a downward spiral in the growth rate could put paid to the Socialist programme.

When the crunch came this June with the Government being pushed off the franc, there were differences of emphasis in the approach favoured by M Mauroy and M Delors. The Prime Minister's instincts were to look to a wages and prices freeze as the immediate counter to inflation—"the most important and the most spectacular" of the post-devaluation decisions, M Mauroy calls it. M Delors has long been a supporter of an incomes policy but has never concealed his doubts about a prices freeze. He puts his anti-inflationary faith as much in the more orthodox measures of stricter budgetary and monetary control.

The difference in emphasis has been reflected in the division of labour between them. M Mauroy stayed in Paris through August building on the wages freeze—"a measure no other French government has taken"—to win the unions' acquiescence to ending the indexation of wages. M Mauroy sounds remarkably confident that he has succeeded in this more revolutionary step. Of course the unions "were not pleased with a wages and prices freeze," he says. "But they realised the need to rid ourselves of excessive inflation."

Last week M Mauroy wrote to the heads of public sector corporations formally telling them to abandon indexation in wage agreements over the next 15 months.

One chairman of a nationalised company said afterwards that M Raymond Barre, the former Prime Minister, had never done anything as drastic as that.

By temperament M Mauroy is far more of an economic interventionist than M Delors. He talks of the immensely complicated series of agreements the Government is negotiating with every sector of industry to ensure a slowly phased increase in prices after the freeze ends in October with the fondness of an architect, for a particularly intricate construction.

Like many of his ministerial colleagues, he has that breathless enthusiasm for technology that inevitably recalls Mr Harold Wilson's "white heat of the technological revolution" in Britain in the 1960s. (One of the Government's most compelling arguments for resisting a further devaluation is also drawn from the Wilson Government's experience of the J-curve effect by which a devaluation, by initially widening the trade deficit, adds to the pressure on the currency).

"We intend to modernise our industrial base by an unparalleled effort of research," the Prime Minister says. "The newly nationalised industries will make investments infinitely larger than those made while they were still in private hands. We are examining in what areas French industry lacks a presence and are helping it in the most difficult . . . in household electrical goods for instance. It is absolutely essential that we make an offensive on that front."

M Mauroy might have had more problems in selling the stabilisation package to his party if M Delors had not been there to justify it in economic terms. Politically the two men have carried out a remarkable manoeuvre. Both are to the right or centre of a coalition that includes the Communists and which is tilted more to the radical left. They have got them to accept cuts in public expenditure and a lowering of real incomes that are certainly unpalatable to the majority and which have effectively shifted the focus of policy in the Socialist Party at least temporarily to the centre. In carrying through the operation, the insistence that there has been no change of policy as a means of maintaining party morale and keeping the Communists on board has been essential.

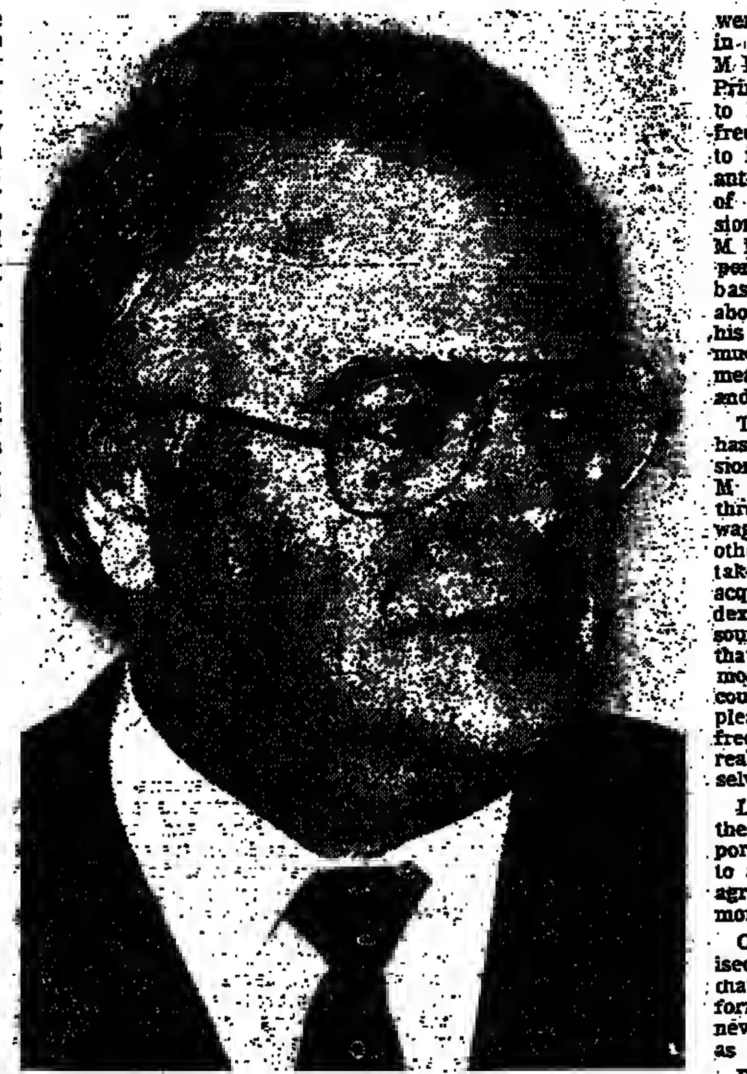
But convincing the Left has been less difficult than convincing the foreign exchange markets. "I do not think that the international financial community is yet fully aware of the severity of the measures we have taken," the Prime Minister says "and of the renovation of the economy that is under way." The foreign exchange dealers are sceptical about France's odd mixture of interventionist controls and orthodox fiscal and monetary policies, are waiting on results to see whether the Government has really got its budgetary, inflation and trade problems under control; and fears that in the months ahead the franc could suffer from a strengthening of the D-mark under a right-wing German administration that might cut social security benefits.

The political fate of the Prime Minister and M Delors hangs on the success of the stabilisation policy in warding off a third devaluation of the franc. M Delors believes the trade deficit will halve to a monthly rhythm of FFr 4bn from an average of over FFr 9bn in the past three months by the middle of the winter. M Mauroy says that the Government is ahead of its inflation target of reducing the rate to 10 per cent by the end of the year.

He believes that the Government will go into next spring's municipal elections with party morale reinvigorated and with every chance of "satisfactory results" in contrast to the major setback widely predicted.

Prime ministers who do not deliver on their promises are brutally treated under the institutions of the Fifth Republic. Former President Giscard d'Estaing dropped M Jacques Chirac as Prime Minister in 1976 after his attempt to expand the economy during an international recession ran into the same impasse as the Socialists' experiment. M Mauroy is under no illusion that he could also be sacrificed to protect M Mitterrand.

It might suit him, in any case, to step down next year. He is an obvious potential presidential candidate for the Left. But he would clearly like to leave on the note of having carried through the major structural reforms of the Socialist administration and of returning the economy to good health.



Pierre Mauroy

By temperament, M Mauroy (above) is far more of an economic interventionist than M Delors, the Finance Minister (right). He has that breathless enthusiasm for technology that inevitably recalls Harold Wilson's "white heat of the technological revolution" in Britain in the 1960s.

Jacques Delors

Men & Matters

Flower power

Willy Brandt, as optimistic as ever at a breakfast meeting in Brussels, predicts a regeneration of West Germany's SPD party now that it faces the prospect of losing political power. He, of course, is chairman.

He senses relief among ordinary party members whose ranks, he says, have swelled daily since the collapse of the political coalition brought an end to compromises on economic policies with the FDP. He expects the SPD to begin building bridges with the younger generation and with the environmental movement whose support has been flowing to the Green party.

But he has "no great hopes that my party will get back in power very soon," in spite of Helmut Schmidt's personal popularity.

When asked why Schmidt has not yet assured the party that he will lead it at the impending elections, Brandt disclosed that his leadership is not the one-man affair that most people suppose.

The Chancellor's wife is in Brazil, apparently, "looking at flowers," and he has not yet managed to contact her and find out what she thinks.

Clean cover

Pollution seems an odiferous subject for insurance folk to be delving about in. But such is the hunting ground of the newly-formed Pollution Liability Insurance Association (PLIA).

If you ask your friendly local insurance man to sell you a policy covering you against pollution claims, then he can go to PLIA for specialist advice.

The association has been founded by Ambrose Kelly aged 75, who apparently spent years wading about in the subject when he was pollution expert to the World Insurance Congress.

For the association's headquarters, Kelly has chosen Chicago.

Nearby Lake Michigan is so polluted by industrial chemicals that he freely admits that he will not touch salmon in his home town unless he is assured that it came from the U.S. Pacific Coast and not from the lake. Sounds like shrewd professional advice.

Surveyor's guide

Next month sees a new venture in the area of specialist property publications, which is a surprisingly sleepy old world in spite of the air of speculation and excitement that the journals report.

The Chartered Surveyor, the venerable, 114-year-old monthly publication for the 60,000 members of the Royal Institute of Chartered Surveyors is to be revamped into Chartered Surveyor Weekly.

Jointly-owned by the RICS and The Builder group, the new magazine is to build on the 40,000 readers who receive the monthly by virtue of their membership of the RICS.

There will be an additional controlled circulation of 5,000 copies which will be posted free to those important people at the pension funds, banks, and major industrial companies, who actually put up the cash for property schemes.

That vital service is performed, in many cases, by people who are not members of the RICS. Michael Hanson, the editor of the new 80-page Surveyor Weekly, intends to woo them by providing them with news on commercial, residential, and agricultural developments that the monthly was unable to carry.

But that non-professional readership—if that is the appropriate phrase—is already the target of two weekly publications, Estates Times and Estates Gazette. Sceptics question whether there is room for a third.

"The Surveyor is losing money as a monthly," said one knowledgable member of the trade. "I don't see how it expects to reduce its losses by going weekly."

"Which part of the hall do you want to infiltrate?"

Square rooted

Well, now we know. President Ronald Reagan's dramatic victory on his tax bill last month was not, as at first thought, secured by his frantic personal lobbying of individual Congressmen. It came about, I am told, as the result of the "group dynamics of consciousness" under the Maharishi Mahesh Yogi's Absolute Theory of Government.

The feat was achieved, according to the Maharishi's people, after the square root of one per cent of the American population (or about 1,600 people) came together at the Maharishi International University in Fairfield, Iowa.

The added presence of 400 mediators at the Maharishi's college in Washington, just five minutes from the White House, ensured that "more coherent, harmonious behaviour would sweep the nation."

That made the U.S. the world's first nation to enjoy the "national Maharishi effect" under the great leader's Super Radiance programme.

"A new spirit of co-operation and harmony was inaugurated in America with the passing of the Tax Bill and the sudden, record-breaking upswing in the stock market. It is not a victory for any one man or party. It is a victory for American national consciousness," say the Maharishi's followers.

That hit about the stock market could have serious consequences. President Reagan may be quite happy to have such powerful friends working on Congress, but the SEC will not stand for any monkeying about with share prices.

Fact or fiction

A chain of university bookshops in the north-west of England hardly sounds like a growth business at a time when dons are threatened with redundancies and student rolls with cutbacks. But there seems nothing but good news at Parry Books, jointly owned by Blackwell, the academic booksellers, and Oxford University Press.

Parry sells to the university trade via its Campus bookshops. It turns over about £9.5m annually and has just cocked a snook at the recession by spending £43,000 on "doing up" its flagship premises at Liverpool University.

Roger Dewar, managing director, is convinced that the Liverpool store will attract enough increased trade to cover the investment.

On what does he base this heartening optimism? Creative marketing, perhaps. My spy noticed the other day that Tony Benn's Arguments for Socialism is displayed in the section marked fiction—between Honore de Balzac and Enid Blyton.

Observer

FINANCIAL TIMES SURVEY

Monday September 27, 1982

UK BANKING

Despite a number of major problems facing Britain's banking sector, there is a refreshing mood of awareness among senior managers that, if they are quick-witted enough, these challenges can be exploited to the sector's advantage.

Strategic decisions in the years ahead

By WILLIAM HALL, Banking Correspondent

EACH GENERATION of new bankers tends to believe that they are experiencing greater changes than their predecessors. This time they may be right.

The current pace of change and its structural implications for the fabric of British banking are such that for the first time in a long time, Britain's senior bankers can no longer relax in the comfortable belief that they are completely in charge of their own destiny. They are not.

The strategic decisions which the banks must make over the next few years will have a profound impact on the long-term success and health of their institutions.

The banks have for years paid lip service to the idea that they were competing with each other, but it never amounted to much. Profits continued to climb, staff numbers rose steadily and there was a mood of well-ordered yet comfortable complacency in Britain's banking parlours.

Over the last year or two, however, the complacency has been disappearing (it has not vanished completely), and is being replaced by a refreshing awareness on the part of most of the current generation of senior managers that the golden era of British banking is fast coming to an end.

UK banks face a number of major problems, and they also face several challenges which, if they are quick-witted enough, they may be able to exploit for their own advantage. The following are the most immediate problems:

● Bank profitability and capital adequacy ratioa are coming under pressure at a time when UK banks can least afford it. There is a good chance that interest rates over the next few years will move significantly lower and remain there, which could mean that UK banks will *face a major task repairing* their profitability and readjusting to an era of single figure interest rates.

● The banks' bad debt charges on their international and domestic business are rising rapidly. British banks have not encountered as many problems as their American cousins in international lending. Bnt several of their domestic UK corporate customers are in such distress that UK banks are in danger of becoming sizeable equity investors in certain parts of British industry.

● The question of the proper level of bank taxation continues to vex both bankers and politicians alike. The banks start from the position that they are paying more than enough tax, either directly, or via benefits which they pass on to their customers in leasing business and so on. The politicians, and a growing number of independent *observers, are less convinced.* In the short-term, the problems of the international banking community may postpone any new tax measures in the next budget, but the subject of the adequate level of bank taxation bas still to be adequately debated.

More competition

● The competition facing the banks is going to intensify over the next few years as new technology radically alters the way banks distribute their banking services and encourage new players to enter the game.

The clearing banks' huge branch networks—a traditional source of strength—and their vast armies of staff, will have their work cut out keeping ahead of the game, especially since they are no longer fully in control of the pace of change in areas such as credit cards, point-of-sale terminals and elec*tronic funds transfer.* The banks are no longer setting all the ground rules.

The new competition is coming from a number of areas. Within the banking community itself, institutions such as the Co-op Bank and the Trustee Savings Banks are showing more entrepreneurial flair than some of their much larger rivals.

Then there are the building societies, which have made massive inroads into the banks' retail deposit base over the last couple of decades and are now, showing interest in becoming more heavily involved in the money transmission business, for long the sole preserve of the clearing banks. The Abbey National and the Halifax are planning to issue cheque books and others are beginning to distribute plastic cards.

The new technology being introduced may well mean that, in years to come, access to a centralised card-holder base may be more important than access to the traditional network of thousands of clearing bank branches.

Several building societies have over 5m customers apiece, more than most clearing banks, and this customer base could provide a valuable tool in years to come, especially if the societies are allowed to participate in electronic banking.

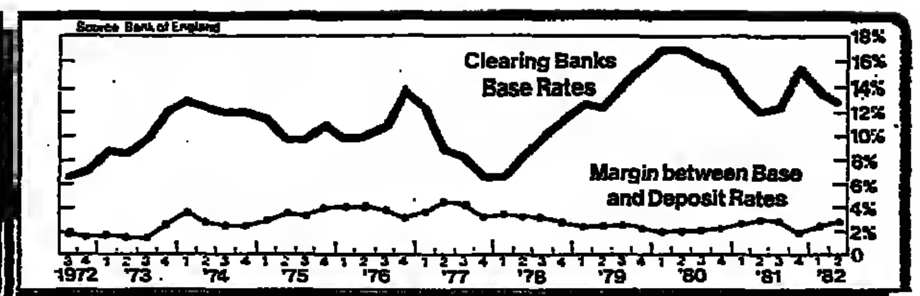
Finally, there are signs that the banks are going to face competition from new entrants from outside the financial community. As in the U.S., a few

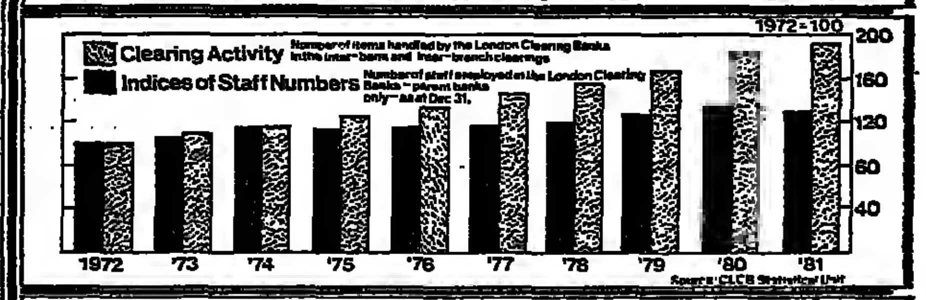
CONTINUED ON NEXT PAGE

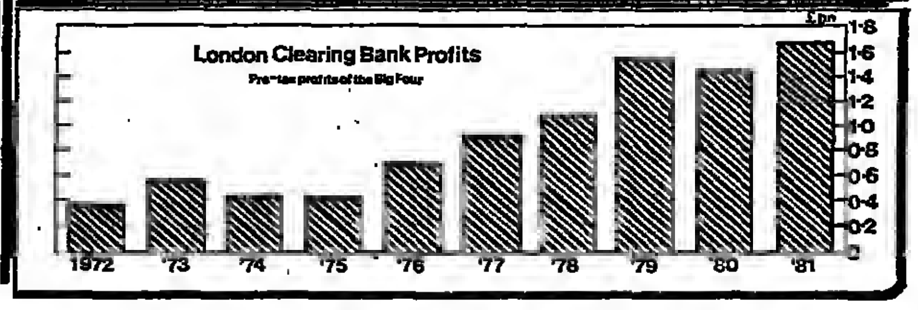
Top 30 banks in Britain

	Assets £m	Net income £m
Barclays Bank	48,752	461.4
National Westminster	43,304	437.0
Midland Bank	41,015	192.9
Lloyds Bank	27,661	262.7
Standard Chartered Bank	19,822	158.5
Royal Bank of Scotland Group	7,763	78.3
Grindlays Bank	4,464	10.7
Bank of Scotland	4,359	40.4
Kleinwort Benson	3,155	21.7
Schroders	2,497	8.03
Saudi International	2,022	7.2
Nordic Bank	1,942	10.4
Orion Royal Bank	1,939	4.3
Samuel Montagu	1,821	6.0
Morgan Grenfell	1,766	10.1
Hambros Bank	1,765	4.6
Hill Samuel	1,764	12.5
Moscow Narodny	1,568	2.2
N. M. Rothschild	1,431	2.0
Banque Nationale de Paris	1,339	8.8
Scandinavian Bank	1,324	7.7
Midland & International	1,309	7.0
Libra Bank	1,245	12.6
S. G. Warburg	1,234	17.0
British Bank of Middle East	1,226	14.3
Johnson Matthey Bankers	1,155	15.8
Lazard Bros.	931	6.5
Yorkshire Bank	858	14.9
Eurobraz	817	7.8
Co-operative Bank	791	3.3

Source: IBCA Banking Analysis







IN THIS SURVEY

UK BANKING II

Little immediate prospect that real profitability in corporate sector will recover

Key questions on borrowing

THE EXTENT to which a recovery of the British economy will bave to be financed by increased bank lending to the private sector has become a matter of earnest debate.

The main reason is that real profitability in the corporate sector reached an historically low figure of 2¾ per cent of capital employed in 1981 according to the Bank of England's estimate.

Despite some improvement in the current year, there seems little immediate prospect that real profitability will recover to anything like the 10 per or so of the 1960s.

Since the corporate bond market has so far shown only the first stirrings of a return to life, while the prospects of raising money in the equity market in such a deep recession remain poor, it seems likely that companies will need to resort to the banks for a large part of their funds.

They will need cash initially for the rebuilding of stocks, which it was hoped would get under way from the second quarter of this year but which now seems likely to be delayed until next year.

After the first phase of "technical" recovery, companies would probably need to continue to borrow quite heavily to finance the increased capital expenditure on which the long term revival of the UK's economic fortunes must depend.

The sums involved seem likely to be substantial, particularly if the more optimistic forecasters are to be believed and output begins to grow at an accelerating rate to reach perhaps 3½ per cent annual growth by 1984.

The London Business School Centre for Economic Forecasting, which more conservatively puts the growth of output at an annual rate of 2.2 per cent by 1984, has suggested that companies' borrowing requirements could be nearly £3½bn next year.

Borrowing on this scale would be very high by historic standards, and the need for it raises several important questions.

The first, and most obvious, is whether companies will be prepared to borrow large amounts at rates of interest which still appear to be high in relation to prospective rates of inflation.

Although the lowering of interest rates is now one of the main priorities of the governments in all the major developed countries, it is not yet certain whether or when rates will be brought to a low enough level in "real" terms (that is in relation to expectations about inflation) to tempt companies to step up investment programmes to any significant extent. This must be in doubt while company profits remain small in relation to national output compared with wages.

THE ECONOMY

MAX WILKINSON

While profits are depressed relative to wage bills, there may still be an incentive to invest in labour-saving machines, but the scope for continuing this process must ba limited unless there is an overall recovery in demand.

The second question overshadowing the prospect that a recovery will be financed by bank borrowing is whether the banks themselves will be prepared to lend to companies on the scale required. The spectacular failure of AEG in West German to honour all its bank debts has been matched by a large number of less publicised difficulties amongst smaller companies in the U.K.

Although banks have exercised considerable forbearance with companies "on the sick list," there may be reluctance in many cases to increase lending in advance of tangible evidence of recovery.

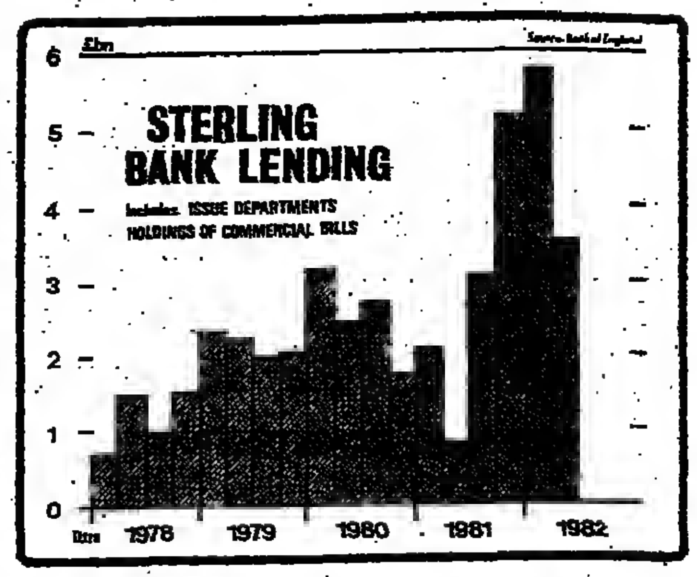
Even if these difficulties were surmounted and a substantial increase in bank lending were to take place to finance restocking and capital spending, there is a third question. This is whether increased bank lending might be seen to pose a threat to the Government's money supply objectives in its Medium Term Strategy.

Although money supply targets are now much more loosely conceived than in the first years of the present Government, there is no doubt that monetary discipline remains a central policy objective.

Even the present rate of increase in bank lending to the private sector at an average of nearly £1.4bn per month in the first six months of the year is regarded by many in Whitehall as uncomfortably high: the Government's efforts earlier this year to stimulate the corporate bond market is evidence that it would like to see a substantial switch away from bank borrowing by companies in favour of direct borrowing in the market.

If this does not happen, it seems highly unlikely that the Government would take steps to limit bank lending to the company sector. However, if overall lending to the private sector (including lending to individuals) increased substantially, the authorities might feel obliged to increase their funding programme with a consequent upward pressure on interest rates.

These constraints are among the factors which have led to some doubts about how strong the recovery is likely to be during the next 18 months or so.



The more pessimistic forecasters, which include the National Institute of Economic and Social Research, believe that only sluggish growth, accompanied by rising unemployment can be expected in the foreseeable future.

The consensus of forecasters now suggests that output in the current year will be less than 1 per cent above the level in 1981, with a rise of perhaps 2 per cent in 1983.

The prospects clearly depend to a large extent on the world economy and particularly on the U.S. where the Administration's hopes of a return to substantial growth have been progressively disappointed this year.

Even when world trade does recover, Britain is likely to be labouring under the burden of increased imports, which appear to bave been rising considerably more rapidly than exports since the bottom of the recession was reached in the spring of 1981. In the last year and a half a marked increase in the propensity to import has prevented UK output from rising in line with the increased demand which flowed from the deceleration in the rate at which stocks were being run down.

The pessimistic outlook for industry suggested by the Confederation of British Industry's latest quarterly trends survey this summer and a generally poor set of economic indicators recently have tended to support the view that recovery will be slower than it was generally expected to be a year ago, and that loan demand will be consequently weaker.

International crisis takes steam out of Treasury's investigation

THE THREAT of an international banking crisis, precipitated by the inability of Mexico to repay its debts has taken some of the steam out of the Treasury's investigation of how to squeeze more tax out of UK banks.

However the exercise, promised by the Chancellor in the last Budget, is still continuing and there is no doubt that there are many in the Treasury who would like to ensure that in the longer term banks pay a "fairer" proportion of their profits to the Exchequer.

It is argued crudely that banks should not be allowed to profit from the general difficulties of the economy as much as they did between 1979-81 when high interest rates brought them profits which made a somewhat embarrassing contrast with those earned in other parts of the economy.

This rather vague feeling of unfairness was heightened by the fact that in 1980, banks' tax payments fell sharply both in absolute terms and as a proportion of pre-tax profits. For the four major banks, tax payments in 1979 represented 23 per cent of profits, compared with only 15 per cent in 1980. This reduction was, to a large extent, the result of banks' extension of their leasing business which enabled them to off set the depreciation of leased assets against their gross profits when calculating tax liability.

However this broad picture is greatly complicated by the wide variations in the ratioa of tax paid to profits between different banks in any one year and between different years for the same bank. For example, the National Westminster bank paid only 1 per cent of its £1.68bn profits in tax last year compared with 34 per cent paid by Lloyds. However, in 1980 Lloyds paid only 11 per cent of its profits to the taxman compared with NatWest's 19 per cent.

These variations underline the purely technical difficulties encountered by the Treasury during the last three years in trying to devise a general tax provision which would be just to all the banks as well as being proof against legitimate avoidance measures.

However, there are wider issues at stake. The most general is that, in Conservative ideology at least, reasonable profits are supposed to be a good thing. Bank profits attracted notice during this recession partly because of the depressed profits of other industries, which could hardly be blamed on the banks.

TAXATION

MAX WILKINSON

More specifically, it can be argued that the high interest rates which boosted bank profits in previous years marked a transitional phase in the shift towards lower inflation. If the Government believes its own strategy, it must expect interest rates to come down and remain at a lower level and bank profits to fall with them.

This is related to the bank's own arguments for the need to make "endowment" profits in the fat years of high interest rates as a cushion against the lean years of low interest rates. The banks argue their profits sometimes appear disproportionately large because they are counter-cyclical. But they should not be penalised for this.

A further argument put forward by the banks is that, in inflation accounting terms, their profits are not in any case out of line with those of industry. This is because industry's main assets are plant and buildings whose "real" value is unaffected by the change in the purchasing power of money. But banks' main assets are in money which loses its "real" value with inflation. If allowance were made for this loss of "real" value of banks's assets, reported profits would be considerably lower. This is just another way of saying that in an inflationary age, banks need to top up the value of their monetary assets to keep in step with rising prices.

The argument over banks' leasing activities is perhapa more contentious. On the face of it, leasing does seem to be a method of tax avoidance. The banks counter by saying that increased competition in the leasing market has cut their margins so that much of the benefit of reduced tax liability ia passed on to hard-pressed industry through leasing charges which are lower than they would otherwise be.

Treasury officials tend to be a little sceptical about the extent to which the benefits are, in fact, passed on although some certainly are. One solution might be to prevent banks from claiming this form of tax relief, but in the present state of the economy there would be immediate pressure to redistribute some form of relief to industry. This would be a complicated exercise and it is not clear how much the Exchequer would gain in the end.

THE BIG FOUR BANKS

	Net tax £m	As a per cent of pre-tax profits
1978	237.1	21.9
1979	360.4	23.1
1980	214.5	14.7
1981	284.3	16.9

Source: Phillips & Drew

	Net tax £m	As a per cent 1981 pre-tax profits
Lloyds	131.1	34.0
Barclays	77.8	13.7
Midland	70.4	30.3
NatWest	5.0	1.0

An alternative line of attack on the banks is that their practice of waiving bank charges while not paying interest on current account deposits is in effect an avoidance of tax, even though it is hallowed by long-established practice.

If interest were generally paid on current accounts, bank customers would have to pay tax on it. Bank charges would then be paid out of taxed income, except in the cases where customers could claim exemption.

An alternative argument is that bank aervices should attract Value Added Tax, in tha same way as other services. However, the banks could reply that money transactions cannot be said to "add value" in the aame senae as wealth creating activities in the "real" economy, for example in manufacturing or the service industries. This argument ia, moreover, supported by EEC rules.

Although tbe question of levying a tax related to current account balancea ia likely to come under the closest focus from the authorities, the whole question bristles with practical difficulties. One of these is how to prevent banks simply passing on tax charges to the customer, via higher bank charges or a wider spread between deposit rates and interest charges.

This in turn raises the question of tha relationship between banks' reported profits and their efficiency. It is often argued in Whitehall that high after-tax profits have enabled banks to pay fatter wage increases than were sometimea justified, to maitain lavish headquarters and to avoid really hard thinking about the efficiency of their branch networks.

Yet even if these charges were justified, the Government planners have to consider the banking system and its cost structure as it now exists. Any squeeze designed to make banks more efficient would probably have to be a gentle one; this is hardly the time for any Government to force a contraction of employment on a profitable sector of the economy.

The indications, therefore, are that the present study of bank taxation will tend to focus on the medium to longer term and that any changes in the next Budget will have a relatively mild impact on the system.

Strategic decisions

CONTINUED FROM PREVIOUS PAGE

big U.K. retailers are showing increasing interest in the financial services industry.

Great Universal Stores (GUS), Britain's biggest mail order firm, owns a licensed deposit-taker (Whiteway Laidlaw) a finance house with over 30 branches (General Guarantee Corporation) and an insurance company (All Counties). Meanwhile, Debenhams, one of the country's biggest department store groups has said publicly that it would like to meet all the financial needs of its customers.

At the moment, this type of institution poses a potential (as opposed to an immediate, threat to the clearing banks. However, they are much more marketing orientated than the banks and this will give them an advantage in the future as the marketing of financial services assumes much greater importance.

The banks are responding to the new competition with varying degrees of success. Their move into the home mortgage market has been a great success in terms of market share, but they have been nowhere near as successful in encouraging building society depositors to switch their allegiance to the banks.

Barclays' decision to open on Saturdays—which may well be followed by at least one other major bank—is one sign of the banks' growing anxiety about the speed with which their current account deposit base is being eroded.

Barclays is after the 30 per cent of building society deposits which are paid in on Saturday morning.

The banks' tentative moves into the area of electronic banking also mirror their anxieties about the future. Should they co-operate to produce a centralised system which whilst rather inflexible, they can fully control? Or should they build a system which allows each participant maximum freedom?

There are signs based on the forthcoming CHAPS pilot scheme *(see page IV)* and the discussions on a nationwide point-of-sale payments system in the UK that the banks are favouring the latter course. This is likely to be in the best interests of the consumer, but for the banks it could be like opening up "pandora's box" with all sorts of new institutions being allowed in to compete on the banks' home turf.

There is considerable difference of opinion within senior bank managemant about the wisdom of certain strategies. Mr Trevor Nicholas, for example, a divisional general manager of Barclays Bank says that the establishment of a nationwide POS system in the UK requires a considerable act of faith by the banks in tha face of dubious economics, little evidence of consumer value perception and the fear that it could make banks more vulnerable to nationalisation.

Mr Nicholas argues that "many of the services desired by customers will be detrimental to bank profitability as they diminish float; increase the cost of funding, and increase the risk of non-bank competition.

"Increased competition from non-bank financial institutions will, I believe, be the most important outcome of uses of technology. Money today is, in the main, merely guaranteed alpha numeric data. The key question is: which institutions will have the identity and ability to provide guarantees, transport, record, exchange and settle electronic value data?" he says.

Building societies, brokerage firms, credit card companies, giros, data processing companies and telecommunications companies are all possible contenders, according to Mr Nicholas.

Over the next few years it is likely that the banks will involve themselves in a growing number of linkages with other financial institutions as they jostle to position themselves in the marketplace, to their best advantage.

Despite some early fears, the Bank of England has retained a great deal of flexibility in its role as central supervisory authority under the 1979 Banking Act.

New rules have revolutionised supervisory environment

IT HAS *taken some time, but in* the past few months most of the important outstanding elements in Britain's new system of banking supervision, established under the 1979 Banking Act, have been slotted into place.

The time that has elapsed since the Act became law has, moreover, been well spent. Some aspects of the new regulations which have revolutionised the supervisory environment were initially unpalatable to the banks, and not only to the UK institutions themselves, but also to many of their foreign rivals operating in the United Kingdom.

But an extensive dialogue has taken place between the authorities and the representatives of the banks which has resulted in substantial changes in some of the proposed controls and reassured the banks that they will not be stifled by excessively rigid constraints.

It has also been demonstrated that, although now operating within a framework of specific legislation rather than in the previous informal atmosphere, the Bank of England has retained a great deal of flexibility in its role as the central supervisory authority and is still prepared, with a greatly expanded supervisory department, to adapt its rules to individual cases.

Nonetheless, the new rules, put into place partly as a result of the need to satisfy EEC requirements, but also in order to sort out the supervisory confusion which contributed to making possible the fringe banking crisis of 1973-74, have imposed a different order on UK banking.

To start with, Britain now has for the first time a specific definition of what is a bank instead of the confusing range of banking recognitions which existed previously. The Bank of England's first task under the Act was to process applications for licences, producing a list which now numbers around 300 each of recognised banks and licensed deposit-taking institutions.

The division between the two categories has caused some upset; the Bank insists that there is no intention of sorting the market into sheep and goats or of conferring a lower status on the LDTs than on recognised banks.

In a couple of cases, however, LDTs appealed against the Bank's ranking of them; and the fact that British-based LDTs are not allowed to call themselves banks has forced several to change their names.

The second important stage was for the Bank to establish guidelines and methods of reporting to be followed in its supervision of banks and LDTs.

In carrying out this function the Bank has demonstrated that, while setting up a framework for prudential supervision in the form of general rules to be followed by the banks, it is nonetheless prepared to be flexible in administering the rules and has retained the case-by-case approach which enables it to take account of the particular circumstances of each individual institution. Three main prudential areas have been covered.

● The first, and least controversial, covered the measurement of capital. The final version of the Bank's paper on the subject was produced in September 1980, describing two capital ratios, the gearing measurement and the risk measure.

No specific numerical guidelines were set out, but the paper provides a framework for discussing capital adequacy.

The gearing measurement relates the capital base to the total of deposits aod other non-capital liabilities; the risk measurement relates capital to an adjusted total of risk assets, applying varying weights to different categories of assets.

The rules have, in general, been regarded as acceptable by the banks, though at times when the pound has fallen they have affected particularly banks such as the consortia which have mainly foreign currency assets with a sterling capital.

SUPERVISION

MICHAEL BLANDEN

● Much more debate was caused by the subject of the second paper produced by the Bank, concerning the measurement of liquidity. The initial version contained specific proposals for an "integrated measure" of liquidity which aroused a good deal of criticism not only from the British banks but also from the foreign banking community in London, particularly the influential Americans.

After extensive discussions, the proposals were amended and the final version of the paper eventually appeared in July this year.

The system now adopts a cash flow approach to the measurement of bank liquidity, using a "maturity ladder" into which assets and liabilities are inserted to give a series of accumulating net mismatch positions in successive time bands. And the banks are generally happy with the system in its present form.

● The third area covered by the Bank's new regulation is foreign currency exposure. It is a part of the banks' operations which had not previously been specifically covered by the authorities' prudential supervisory activities, because until the end of UK exchange controls in October 1979 information oo exchange positions had been available to them as a result of implementing those controls.

To fill the gap, the Bank brought out a paper on foreign currency exposure at the end of 1979, proposing constraints on the positions of banks in currencies and gold. This aroused a good deal of criticism, and again the Bank amended its approach.

In a paper published in April, 1981, the limits proposed were eased, to allow normally a net open dealing position in any one currency (for banks experienced in foreign exchange dealing) of up to 10 per cent of an adjusted capital base and net short open dealing positions of all currencies together of up to 15 per cent of capital.

Dealing position guidelines are agreed with each individual bank, so that the rules are not by any means rigid.

The other main brick in Britain's defences against a repeat of the fringe bank collapses was put into place in mid-February this year, with the establishment of the deposit protection fund required by the Banking Act.

This has been opposed by the big UK clearing banks, though they accept its inevitability, essentially on the grounds that they are unlikely to make use of it (and indeed are far too big to be accommodated) but would provide the bulk of the contributions to support smaller competitors.

They were also annoyed that their rivals in the savings market, the building societies, were not subject to a similar requirement; though the societies have proposed a similar, voluntary scheme.

Under the scheme, a small cash fund was to be set up totalling some £5-6m from contributioos related to the level of non-bank sterling deposits in the UK of banks and deposit-takers.

The fund is administered by a board including the Bank's governor, deputy governor and chief cashier, and can be topped up by further calls on the banks. It covers losses by depositors up to 75 per cent of the first £10,000 of any deposit.

With this move, the main part of Britain's new supervisory structure has been completed. There are still some outstanding issues arising from the activities of the European Commission—the presentation of bank balance sheets, consolidation of accounts (not a great cause of concern to UK banks) and proposals for foreign bank branches to produce separate accounts.

The last of these has been causing some anxiety among the foreign banks in London, especially the Americans, because their branch activities are so closely integrated with their worldwide networks that they fear separate accounts would be meaningless and possibly damaging.

Nevertheless, by and large, the British banking community is reasonably satisfied that the City will retain its attractions as an international banking centre.

Mr Peter Cooke, head of banking supervision at the Bank of England. The Bank's first task under the 1979 Banking Act was to process applications for licences, producing a list which now numbers around 300 each of recognised banks and licensed deposit-taking institutions

More flexibility in the London money markets

MONETARY CONTROLS

MARTIN TAYLOR

THERE IS nothing new in central banking and it would be unwise to expect comets to blaze in the heavens as a result of a change in the Bank of England's institutional arrangements for carrying out the same old job.

There were high hopes last autumn, however, that the new monetary control arrangements, centring on a new system of open market operations, would introduce a much lacking element of flexibility into the London money markets. And it seems fair to say that the proponents of the system can point to some useful gains over the last year.

In the best tradition of the British administrative classes, the new arrangements were brought in very largely because the old system was falling to pieces, rather than because specific new methods were called for. There was a large element of compromise—but pretty sweeping compromise.

Thus, the principal feature of the London money market—the use of the discount houses as a buffer between the central bank and the commercial banks, which do not have direct everyday access to rediscount facilities—was retained.

The role of the discount houses (discussed elsewhere in this survey) was modified in ways that obliged them to act more competitively, but the Bank of England's preference for acting through a highly geared intermediary remains intact.

However, the reserve asset system—an uneasy medley of monetary and prudential controls that obliged all banks, whatever their mix of business, to hold a certain proportion of assets in prescribed near-liquid form on each monthly balance-sheet day—was swept away root and branch, to be replaced by a less formal approach to banks' liquidity.

Old systems

Ancient traditions were abandoned, such as that of issuing too many Treasury bills every week to ensure that credit would be in short supply and force the market to borrow from the Bank of England. The central totem of the symbolic structure stretching back to 1971, the Bank of England's minimum lending rate (MLR), was cut down—the Bank simply ceased to announce an MLR.

This was a renewed attempt to achieve a goal at which the bank first aimed in 1971, when MLR replaced the old-fashioned bank rate.

The problem had then arisen that movements in bank rate carried a high political charge, and it had become difficult for the monetary authorities to move interest rates—up, if not down—as soon as it became necessary. MLR was linked by a formula to the weekly Treasury bill tender rate, and it ought thus to have been seen to be set by the market.

But things were not quite so simple. First of all, the concept of an interest rate set by the market without the participation of the Bank of England, when the Bank is the determining player in the markets, is a rather odd one.

It is true that the Bank has periods of relative passivity, when it is prepared to see interest rates drift within an established range, but a desire to see rates broadly unchanged is qualitatively no different from a desire to see them, say, five points higher.

So, MLR was set with reference to the Treasury bill rate, which was itself influenced, if not actually determined, by the Bank of England.

At times, nothing the Bank could do could prevent hot-headed elements from outside the well-disciplined discount market forcing the Treasury bill rate down to inappropriate levels. Then there was nothing for it but to suspend the Treasury bill-related formula. Everyone saw, of course, that the Bank of England was fudging things; but in reality, only the degree of visibility distinguished these occasions from the norm.

Influence

When it was quite clear that MLR was essentially identical with bank rate, another effort had to be made, and there is a certain intellectual neatness about solving the problem by abolishing the officially posted rate altogether.

In practice, the new system hangs on the Bank's attempts, whether subtle or crude, suggestive or insistent, to influence the clearing banks' base rates.

Within a month of the introduction of the new method of operation, it became necessary to raise interest rates to protect the pound. The Bank initiated a two point rise to 14 per cent by the age-old expedient of lending at a penal rate to the discount houses.

When this new level was seen to be insufficient to hold the exchange rate, the discount houses nervously unloaded paper on the Bank at ever higher rates of interest, and within a couple of weeks base rates had moved up to 16 per cent.

A rate of 16 per cent did the trick, and has been followed—at the time of writing—by 11 successive half point declines.

The success of the operation depended on the swiftness with which it was carried out. Although the effect was just the same as if MLR had been lifted to 16 per cent, it might not have been possible for the Bank to push such a sharp increase past the politicians so quickly. Instead the impression given was that clearing bankers were responding to mysterious—even unfathomable—market forces (which Conservative politicians regard with awe), rather than to prods from an interfering central authority.

More recently, the prods have been more evident, since clearing banks become progressively less profitable in their retail banking operations as rates decline, and therefore progressively more reluctant to respond to signals calling for lower interest rates.

This central question of presentation apart, the system has performed well enough. The eligible bill market has proved well able to cope with the flows it is required to carry, even in times of exceptional shortage, and it took surprisingly little time for market participants to familiarise themselves with the Bank's new operating practices.

The clearing bankers grumble about the importance—or even the existence—of the role accorded to the discount houses. But then they always did.

Pay negotiations move into harsher climate

BANK STAFF
BRIAN GROOM

BITTER WORDS have been directed this year at the English clearing banks by a succession of trade union leaders. The banks are accused of using the strength given them by unemployment to ride roughshod over the wishes of their moderate, easy-going staff, while trying to cut costs and maximise profits.

"As the industry grows fatter and more prosperous, so the employers become more arrogant," declared Mr Allen Meadows, vice-president of the Banking, Insurance and Finaoce Union (Bifu), at a conferenee of bank computer workers.

"The banks are telling us that if we don't like what they are doing, there ore 3m unemployed outside who would love to have our jobs. They have thought these thiogs for years, but now they are actually saying them to our face," be said.

The effecta of this allegedly "hard line" have been demonstrated—so unions claim—in a "tight-fisted approach" to discretionary fringe benefits, a refusal to consolt staff bodies adequately, and two years of pay settlements below inflation.

These developments hove coincided with sharply Increased onxiety among the UK banking industry's 350,000 employees about job losses and changed working patterns which they fear will result from labour-saving new technology.

Mr Jack Britz, geoeral secretory of Bifu's rival, the non-TUC Clearing Bank Unloo, comments: "We ore seeing more change than has taken place in the banks since the 1800s, at a time wben the unions are weak because of recession and unemployment."

Frustratioo caused by this weakness is one reason for the barsh words: unions have litile streogth to force their will on employers. After last year's industrial action by Bifu over the annual national pay talks, both main unions this year meekly accepted an 8.5 per cent settlemeot in the English clearers.

Some union leaders, however, are relieved to bave reached a deal which exceeds the average level of 7 per cent settlements across the UK economy. And they concede that the harsher bargaining climate results largely from the same chill wind blowing elsewhere.

But there is evidence of an underlying hardening of bank ottitudes towards staff costs. This is because the growing competition In the finance sector, from building societies and other institutions, seems set to increase further.

Vulnerable

Bank profita appear fat, but because of the structure of high operating costs, bankers are worried about the vulnerability of their profits to a sharp fall in interest rates. They are also concerned about their dependence oo the "subsidy" from non-interest bearing current accounts—on which they are under growing pressure to pay interest.

The bonks are amnng the most labour-intensive sectors of the economy, ond stoff account for roughly two-thirds of their operating costs. Last year the English clearers' staff costs rose by between 16 ond 22 per cent—high enough, the banks say, but it was higher still in some previous years.

The desire to bring costs down is one reaann for paying wage rises below inflation, but here another factor comes in. Fnr two years, banks have been under heavy pressure from the Government, industrial customers and industrialists on their boards not to use their large profits to sign pay deala which would have a knock-on effect elsewhere in the economy.

Perhaps the strongest reason for the level of pay settlements, however, is that the banks can get away with it as long as the unions are weak. The unions say this attitude haa been reflected in a wide range of issues.

The situation has become particularly bitter at Barclays. Motters have been brought tn the boil by the imposition of selective npening of branches on Saturdays, staffed by volunteers, reversing a decision taken by the high street banks, 13 years agn. The move is in response tn competition from buildiog societies.

Unions were outraged by many aspects of the decision, including lack of prior consnltation. They fear it will eventuolly result in a return to compulsory Saturday work, and may spread tn other banks.

Barclays has provided a test-bed for the militancy of union reaction. The moderate Barclays Group Staff Union recommended its members In a ballot to vote for indnstrial action—beginning with two token stoppages.

This was an historic move. The three staff unions comprising the Clearing Bank Union (CBU), of which BGSU is one, have never taken industrial action, and represent some of the most moderate of British workers.

In the event, BGSU members rejected the recommendation by four to one. Thus, although it confirmed tougher frame of mind among CBU leaders, it provided no evidence that the bank's alleged "bard line" was driving ordinary staff lo militancy.

Thal may still come in one nr oll of the clearing banks, according tn Mr Jack Britz, CBU general secretary, who believes that the banks will push their luck too far, and that, ultimately, staff will react.

Blacking

As it was, industrial action at Barclays was left to Bifu, which ordered the blacking of Saturday-related work. Bifu, which belongs to the TUC, has tended to attract younger and more milifont staff, and has taken more industrial action in the past five years than in the previous 50—reflecting, a little belatedly, tbe general shift towards confrontotion. As bank staffs have grown, o strand of mllitancy has been introdnced as banks began to employ more sons and daughters of industrial workers.

However, Bifu's industrial strength, like that nf other unions, has been sapped by the recession. It has limited the union's ability to have its way over new technnlogy, about which Bifu has expressed considerable alarm.

Bifu Is In favour of moving towards a cashless society, but believes it could have a disastrous impact on jobs if introduced in an uncontrolled fashion. The banks bave lorgely refused Bifu's demands for new technology agreements, giving the union the right to negotiate the introduction of new equipment.

There was a call at Bifu's annual conference for refusal to operate any new technology introduced without negotiation, but it was defeated on the grounds that it was impractical. Members could not be guaranteed to carry it out.

Bifu believes new technology is already having on impact on jobs. It cites as evidence a fall of over 6,000 in the English clearers' staffs in 1981, proposals for 2,000 job losses at Midland Bank, and redundancies In Barclays' cheque book library.

Banks accuse the union of exaggerating both the scope and time-scale of develnpments, including such areas as electronic funds transfer. The staff cuts of 1981 were the result of over-recruitment the year before, banks say, and staffs are set to increase slowly for the foreseeable future.

CLEARING BANK STAFF

	Staff numbers
1960	109,953
1961	117,105
1962	124,002
1963	129,226
1964	134,831
1965	140,874
1966	146,008
1967	151,209
1968	156,828
1969	165,067
1970	173,045
1971	176,590
1972	177,784
1973	182,284
1974	196,175
1975	202,068
1976	201,235
1977	205,427
1978	211,285
1979	218,645
1980	230,925
1981	233,598

Electronic techniques improve flexibility

TECHNOLOGY
ALAN CANE

1982 WAS the year the "Second Wave" of electronic banking techniques started to moke its presence felt in the UK. A whole spectrum of novel ideoa, many of them already in service in the U.S. ond elsewhere, began to see the light of day, spurred on by commercial expediency and made possible by cheaper and more reliable hardware.

- Midlond Bank won the race among retail banks to offer "self-service" banking to its corporate clients.
- Midland Bank and National Westminster Bank agreed to operate a scheme to make each other's automated teller machines available to all their customers.
- National Westminster announced it was sufficiently satisfied with its "electronic bank manager" trial to extend the scheme to 51 branches.
- By December 1983, the major clearing banks will hove Installed new machinery to process automatically credits in addition to their already huge computerised systems for clearing cheques.
- Next year, the London Clearing Houses Automated Payments Scheme (CHAPS) is scheduled to go on-line, replacing the present system of messengers.
- British Telecom opproved the first of the "transaction telephones" which will make possible electronic funds transfer at the point of aale(EFTPOS).

Self-service banking—where a corporate client has a computer terminal on hls nwn premises through which he can inspect bis various accounts world-wide, transfer funds and make payments—is the flavonr of the month in banking technology.

All the big U.S. banks are offering the facility to their own clients ond several are offering their systems for sale or franchise.

Citibank, for example, offers Citicasb Manager, Chase Manhattan offers Infocasb while Chemical Bank has a system called Chemlink.

Midland's offering is based on a cash management system developed by its U.S. subsidiary Crocker Bank and called Cash Express. In the UK, it will be run on the computers of a commercial computer bureau, ADP.

Midland's lead will swiftly be followed by the other UK clearers. National Westminster is pntting the finishing touches to a package it Is rewriting provided by the U.S. bureau National Data Corporation; Barclays is discussing packages with a number of bureaux and network operators and Lloyd's Bank is likely to develop a system based around elements of CHAPS, the first of a new breed of payment systems in the City (aee report, below).

It abould not be forgotten that a form of electronics funds transfer has operated for the clearing banks since 1968—this is the Bankers' Automated Clearing Services (BACS) which accepts magnetic tapes, cassette tapes nr magnetic disks with, for example, details of regular payments sucb as salaries and prepares new tapes containing all the necessary details to be sent to individual banks.

Cheque clearance has been a highly automated nperation for mony years—indeed it ia unlikely the banks could bave kept up with tbe increased volume of business over the years without massively increasing staff numbers.

Now the banks are gearing up to automate credit clearing. Why only now? According to Recognition Equipment, one of the leading suppliers of reader/sorters, automated debt clearing in three days benefits only the banks; furthermore, the banks could control the production and printing of virtually all cheques.

Recognition Equipmeot points out: "Credit clearing, on the other hand, is a customer orientated service, with most documents being produced by the customers themselves."

Cheques are coded magnetically using a special font called E-13B, whicb has only numeric characters and which the IBM 3890 reader/sorter is specially designed to handle.

Credit clearing documents will use optical cbaracter recognition fonts or magnetic ink character recognition.

So the banks are looking for new equipment to automate this new area. Midland Bank has ordered S6000 systems from Burroughs. Barclays internal branch to branch clearing house uses off-line OCR-Scandata machinery, but there ia no public announcement yet on its major credit clearing operation.

Lloyds Bank has also made no decision but is believed to be experimenting with an IBM 3890 modified to read msgnetic characters optically.

National Westminster is using a system called the Trace 1 from Recognition Equipment; the Bank of England is also ordering machinery from this company.

But projects now in progress are bringing closer the day when electronic slgnals replace paper in both credit and cheqne clearing—even if most baokers agree that cheques can never be completely eliminated.

New approach

The growth and utilisation of automated teller machinea (ATMs) bas been aubstantial: agreement between Midlaod and NatWest on the reciprocal use of their machines offers the possibility of all the banks sharing in a nationwide network.

Lloyds Baok, however, hos taken a distinctly different approacb frnm the nther cleorers in ATM develnpment.

While the nthers ore for the most part using a terminal built by NCR which will operate on its own or in conjunction with the bank's main computers, Lloyds Is using IBM terminals which only operate when the bank's computer centre is open.

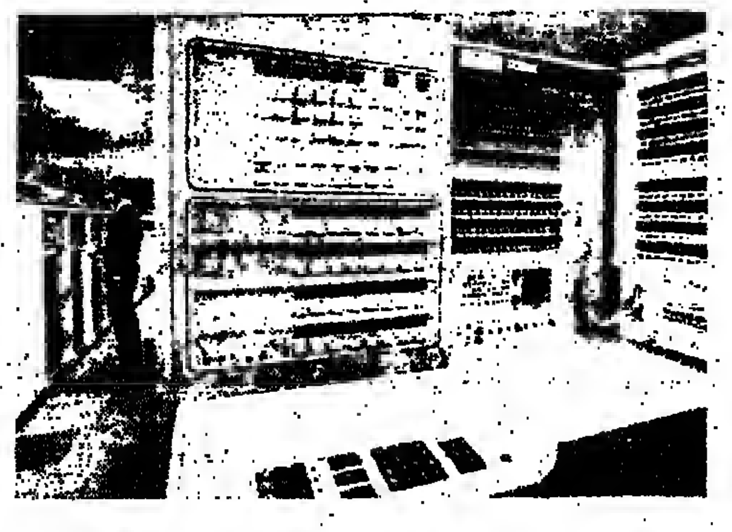
The point is that each ond every transaction is checked by the computer, which Llnyds believes is tbe only true onswer to fraud.

The "transaction telephone" introduced earlier this year and now being installed by a number of lorge stores, tockles the aame problem.

When a credit or debit card is run through the terminal, it automatically telephones the card issuer and checks the card is valid and thot the transaction is within the agreed limits. Soch telephones are seen as the only sensible woy to nperate electronic funds transfer at the point of sale.

Banks are also experimenting with new technnlogy to reduce their paperwork and file storage. NatWest installed an IBM 8100 system at its Surbiton hronch to replace much nf the manual record keeping; other banks are experimenting with viewdata systems to the same end.

It is likely to be some years yet, however, before bank branches are merely electronic switching centres connected to their customers by telephone wires and visual display screens.



Compnter facilities at the Croydon head nffice of the United Association for the Protection of Trade; below, a sectinn of UAPT'S consumer information centre. The last year or two has seen an enormous increase in the marketing and sales activities by the major banks. UAPT, the largest credit informatinn agency in the UK, has an important role tn play within the credit-granting process, particulorly as more and mare people become first-time account holders.

Many advantages from automated clearing system

IT WAS going to be called FISH (financial institutinns settlement house) but they finally decided on the name CHAPS (clearing house automated payments system) and if all goes well it should begin operating next year.

CHAPS is the first of a new hreed of payments system in the City and in the bankers' jargon will provide banks and their customers with an "automated means of making guaranteed clean inter-bank same day value payments in the UK."

Most people outside the banking community do not realise that if they pay a cheqne into their bank accounts, it will be three days before they can spend that money. In the City, bowever, there is a ritual known as the "town clearing" where cheqnes of over £10,000 face valne are exchanged between banks so that their customers get valne on the same day.

The apeed and efficiency of the town clearing is an enormous help to big companies and money market operators since it means that their funds are not idle. Every day a small army of messengers march around 100 branches of the London clearing banks in the City exchanging 20,000 cheques with a valne of £20bn.

The system works well in the City at least but its capacity is severely limited and customers in the provinces, such as solicitors, bave frequently criticised the problems they have in effecting same day settlement.

There have been an increasing number of reports that while it takes five seconds to transmit a payment from Tokyo to London it is taking another couple of days to get it np to Edgware, especially when more than one hank is involved.

As a result the banks decided to automate the town clearing although they insist that this will not make the army of messengers redundant since they will, still have to carry unclean payments around the City — payments which can only be made on production of documents.

The first attempt, which involved a plan to build a purpose-built centralised computer system, was scrapped and CHAPS II as it is known is taking shape. The clearing banks, which will be known as CHAPS settlement banks, because of their ability to settle with one another at the Bank of England will provide (some will share), a CHAPS gateway.

These gateways will exchange payment messages via British Telecom's packet switching service (PSS) and at the same time provide a standard interface to each bank's own payments system.

The gateway system provides only the audit, routing and communications control functions necessary for an orderly and secure operation. It will be up to the banks to adapt to their own uses and market it themselves. the system's reliobility will be ensured by the use of Tandem "oonstop" computers, where the circuitry is duplicated to prevent total failure.

WILLIAM HALL

When the recession is over, the experience of getting close to the problems of their customers is something the banks will want to build upon

More help for troubled clients

"IF A business has a chance of being viable, then it deserves banking support," says the manager in charge of the so-called intensive care unit at one of the major clearing banks. "Yon need to have some sympathy with managements in trouble," observes his opposite number at another of the Big Four.

It is instructive now, in the midst of an industrial recession which has required so much banking innovation, to remember the sterile old debates about the role of the banks in the British economy.

They stood accused of being concerned with little more than crude balance sheet details, ready to strip out secured assets at almost the first sign of trouble, and unwilling to back a company over the medium term.

Bodies such as the Wilson Committee endlessly discussed comparisons with, for instance, the German banks which were said to be ready to support company managements over the long-term with extended credit facilities and often through equity participation as well. It was argued that the banks and industry in countries like Germany or Japan worked together in a way that was unknown in Britain.

Those arguments now look very much out of date. The British clearing banks have developed elaborate new procedures for supporting and reviving their ailing corporate customers.

As for the German banks, their willingness to get very close to their industrial customers in the post-war boom, and to accept very high levels of exposure through high gearing ratios in corporate balance sheets, has now put them under considerable pressure in the recession. The crisis at AEG-Telefunken, for instance, is on a greater scale than anything facing the British clearers.

After the years of arguments about the differences between national banking systems, bankers are now finding that they have a great deal in common. Many of the world's major banks find themselves in the same boat when they try to solve the problems of multinational companies such as *Massey-Ferguson* or *Borthwicks*, (not to mention the far bigger headaches caused to the international banking community by certain *soverign* borrowers).

The British banks have the advantage that they have already cut their teeth on one major lending crisis in recent years, the property and financial crash of 1974. Although tha problems at that time were largely specialised, and did not extend to industry as a whole, the clearers set up corporate rescue units which are now hard at work on the problems of the *numerous victims* of the recession.

Barclays, for instance, has its Special Team which takes in *staff of about 40. In all, something* like 600 problem cases are on its books, although there is direct and regular involvement with only about 15 per cent of these.

INDUSTRIAL RESCUES

BARRY RILEY

The attitude at Barclays is that it *is* much better for problem cases to be referred to the special team early, and the bank relies on branch managers to take the initative here. At the same time, Barclays admits that one of the major hurdles is often in persuading a company's directors that a problem really exists.

Too often a company staggers on by stripping its good parts of cash to keep the bad operations going, so that by the time the intensive care unit arrives on the scene the company is on its last legs and has probably seen whatever good managers it had, hand in their cards.

For largely historical reasons the bank facing some of the worst problems in the present recession is probably Midland, traditionally the banker to industry. Its intensive care unit, part of the corporate finance division, has been investigating problem cases at the rate of about 60 a year, though many of these companies are actually handled elsewhere in the bank.

Midland's banking doctors are *keen to point out* that companies can also come successfully out of intensive care—in the last two years some 40 corporate clients have been released as "cured." All the same, the unit is currently supporting some 70 companies with total borrowings of £300m or so.

When companies get into financial difficulties, the first action of the clearing banks will be to undertake a thorough financial investigation—sometimes subcontracting this to outside accountants. Solutions may then become apparent—and the banks are nowadays ready to put pressure on companies to change their management. They will not actually seek to *impose their own nominees*, though they will certainly suggest names and may insist on a right of veto.

In *the* end, though, there may be no alternative to appointing a receiver. Even in such a case, however, the banks insist that they will choose a receiver who has shown himself capable of saving at least some parts of a business.

The clearers have been forced to develop skills at dealing not only with outside professionals like accountants, but often with various other banks, which may have different interests and priorities.

In big cases there may well be merchant banks involved *too*, and *sometimes* the problems are extensive enough for the Bank of England to become interested.

Why are the clearers *taking* so much more care over problem customers than they used to? Obviously they feel a sense of responsibility towards industry, though it is also true that they are under significant political pressure to perform in a manner which can be seen to be public-spirited. Cynics also point out that industrial assets are now of such low value in Britain that the break-up option now has little appeal for the clearers, who are forced towards the going concern route.

The clearers used to keep a very low profile in questions of corporate insolvency, refusing to discuss the affairs of clients. But tha row over Stone-Platt last spring, when a number of City financial institutions flatly accused Midland Bank of jumping the gun by putting a receiver into the ailing engineering group, has highlighted the way in which they are being forced to coma more oot into the open, and defend their approach.

In the background is the question of extra taxation of the high level of clearing bank profits, which would become a hot issue if too many politicians came to believe that the banks were neglecting their industrial responsibilities.

When the recession is over, the banks' experience of getting close to the problems of their customers is something which they will want to build upon. On the other hand, they will not want to be *too* close. The dangers of high gearing have once *again* been emphasised.

Another danger which has becoma apparent is that of too many banks serving the same customer. The clearers are keen to assert the concept of a lead banker who will take long-term responsibility for a corporate client in return for the major slice of his banking business.

For a corporate treasurer to play 30 banks off against each other so he can obtain the finest *terms* is *splendid* whilst the going is good. But which of the 30 banks will stand by the company when conditions get tough?

For the time being the British clearing banks are preoccupied with pulling their troubled corporate customers through the recession. The scale of the problem is indicated by the bad debt charges—almost doubled at Midland to £75m in the first half of 1982, *for example*.

But in the looger term the shared experiences could be valuable in leading to more extensive exchanges of information, greater discussion of strategy, and better chances that the clearers and their customers cao prevent emerging problems from turning into life-or-death emergcocies.

Britain's major retail banks

Bank	Branches (No.)	Staff (No.)	Assets £m	Minimum balance for free banking £	Bank charges automated	Bank charges other	Notional allowance	Per cent of customers enjoying free banking
NatWest	3,200	74,653	43,304	50	12	20	5½	67
Barclays	2,980	75,225	48,752	100	10	20	5	63
Midland	2,446	71,800	41,014	100	15	20	3.5	50*
Lloyds	2,350	47,946	27,661	100	15	20	4.5	50*
TSB England	1,800	14,767	4,596	50	15	15	—	n.a.
Royal Bank of Scotland	602	9,500	4,267	50	12	17	9.0	60
Bank of Scotland	569	8,200	4,359	50	12	17	5.0	65
Clydesdale	378	6,000	1,908	nil	10	14	6.0	70
Williams & Glyn's	316	6,507	3,593	nil	10	20	5.0	72
TSB Scotland	294	2,525	1,087	nil	—	10	—	n.a.
Ulster Bank	235	2,500	1,465	100	—	20	—	n.a.
Northern Bank	221	3,310	1,231	100	15	20	6½	n.a.
Yorkshire Bank	204	3,000	858	nil	18	18	5.5	65
Co-op Bank	71	3,475	836	nil	20	20	—	81
TSB Northern Ireland	55	601	266	100	—	10	—	n.a.
Coutts	18	1,500	1,137	1,000*	—	—	—	n.a.
National Giro	†	5,000	786	nil	30	30	—	n.a.

Credit items free except for Williams & Glyn's. * Average balance. † Outlets through 20,000 post offices.

Banks set up specialist divisions

BRITISH BANKERS have been taking to heart the very simple business rula which says that the more you know about your customer and the greater number of services yon can offer him, the greater the feedback in terms of additional business.

It is axiomatic that the banks' local directors, responsible for big corporate customers, know their banking well enough, but do they know enough about their customers' multi-national operations?

Can they service their overseas requirements? If the ground rules of the clients' industry are changing fast—electronics, energy and com*munications* are obvious examples—can the regional bank director (responsible for a broad portfolio of varied clients) keep adequately in the forefront of these changes?

Many banks have concluded that their more complex clients need help and advice *backed with a more intimate* knowledge of their problems. As a general rule, the banks have been setting np separate divisions to run their major corporate clients, staffed by executives whose detailed knowledge of an industry is as important as a thorough banking background.

Mnch of the impetus for this change came from the development of North Sea oil.

Competition

It was an area where the UK banks *obviously* felt they had to lead bnt, faced with competition from abroad, notably from North American banks which were already well versed in the intricacies of financing field exploration and development offshore and new growth opportunities, although not existing market shares, may have been lost.

Shipping finance was another catalyst as the great expansion of the world's

CORPORATE CUSTOMERS

RAY MAUGHAN

fleets threw up fresh challenges to tanker, container and general cargo finance.

The banks say that the stimulus has little to do with devastation wreaked by the current indostrial slump, which in itself demands an ever-deepening awareness of the customers' needs, and these divisioos would almost certainly have been established had trade been booming.

Midland has been in this field for some time and Barclays and Lloyds are quite recent entrants. Barclays divides the newly-formed large corporate division into a number of *teams*, beaded by a director and staffed by u small group of np to six executives.

Based at bead *office* and able to draw on the servlces, for example, of the bank's ioternational and curreocy arms, these teams are designed to servlce comparatively small numbers of clients.

No more than 400 clients are serviced in this way and the common denomlnator is the complexity of their requirements, not so much their size. Their minlmum loan from the bank would be some £10m.

A critical *gnestion* for Inclusioo in this department may be: can the hank handle all the customers' needs from a regional base in Bristol or Manchester, for example, or is the bank's staff required to visit the client's offices in Zurich, New York, or wherever, on a regular basis?

At *preseot*, the overwhelming majority of the banks' hnsiness customers will remain in the charge of their regional offices and large notional customers will stay with them.

As for the future, bankers *believe that* the *greatest* advances will take place in the transmission of information on a worldwide basis.

Instant access

Ona of the principal aims of these new corporate divisions will be to obtain instant access to a customer's balances, at any time, in every country and area it operates.

One or two banks are apparently on the way to an information system on this scale and other international banks, the UK clearers inclnded, can be expected to develop their own, fully computerised, information transmission networks.

Demand is strong for loan scheme

SMALL BUSINESSES
TIM DICKSON

IF SHEER numbers alone were a criterion of success, the Loan Guarantee Scheme would go down as one of the Government's greatest small business triumphs. Soon after it was launched in June 1981 as a three-year pilot project with an annual ceiling of £50m it quickly became clear that strong demand from small firms would make it necessary to increase the allocation faster than initially expected. Thus the second £50m was brought forward to as early as last October; the third £50m was approved by the Chancellor in this year's Budget. At the same time he announced that the original total of £150m was being doubled to cover the second year's operation.

Up to the end of last month a total of £202.5m bad been lent to 6,043 companies and though there was a slight slackening nf demand in August the Department of Industry nevertheless expects the money to run out some time early next year.

That means decisions will have to be taken probably before Christmas, the most important being whether to put it on a more lasting basis or continue with the present pilnt arrangements.

The most important consideration for Ministers, however, will not be its undnubted popularity but the rate at which companies in the scheme have failed and the amount nf genuine extra lending which would not otherwise have taken place.

The initiative was launched last year after much heart-searching in Westminster and in the City. Reports from the U.S. suggested that the American version was a significant contributor to new employment and an important catalyst in getting small companies adequately financed.

The key feature of the Loan Guarantee Scheme is that the Government underwrites 80 per cent of the risk of a loan in return for a 3 per cent premium over and above what the bank charges. This is intended to cover the cost of failures. The lender, meanwhile, carries the other 20 per cent of the risk and charges a rate of interest varying from 1½ per cent (in the case of the Co-op) to about 2½ per cent. There are about 30 banks approved to lend under the scheme, though inevitably the Big Four, with their extensive branch networks, have taken the lead.

Loans are considered up to a maximum of £75,000 for a period of between two and seven years. Sole traders, partners, co-operatives or limited companies may apply. Though there is no formal limitation on size, large businesses and their subsidiaries are excluded. Repayment of capital (but not payment of interest) may be deferred for up to two years.

The main objective of the scheme is to provide "additional" finance for small businesses, in the sense that in its absence the borrower would not have obtained the money elsewhere. At the end of the day this must depend nn tha judgment of an individual bank manager and in some quarters the air has been thick with allegations that the scheme is being abused.

Nnbody wnuld deny that there is an obvious temptation for a bank manager to put a high risk business into the scheme if be knows that the taxpayer will pick up 80 per cent nf the tab if things go wrong. An ambitious manager, on the otber hand, could well take a different view, namely that the more money lent imaginatively under his bank's nwn schemes the more income it will receive and the better his promotional chances.

Some clue as to the way the scheme bas been working was provided by the Government's recently published Interim Assessment. This was based largely on 100 telephone interviews with a cross-sectinn of borrowers and showed that 80 per cent nf those selected (by number) would not have been able to raise finance on any terms or only by the pledging of personal assets. Exclnding those that could have got funds if they had been prepared to offer collateral security, this figure falls to 60 per cent.

The Department of Industry, hnwever, clearly prefers to think in terms of 80 per cent, emphasising that "one of the objectives was to end the usual requirement of personal guarantees to secure bank finance tn small businesses."

Overall its "not too deep" examination offered "reasonable encouragement" that many of the businesses seemed tn be breaking new ground with fresb ideas and new products.

Very little, however, was established about their viability. This is important for twn reasons. First, a large number of failures would vindicate those who have argued all along that the scheme was unnecessary. Secondly, the scheme was intended to be self-financing htrough the 3 per cent premium and therefore too many failures woud be pnlitically embarrassing.

The DoI insists that it is too early to start drawing conclusions about this and points out that premium income received is still higher than the value nf the guarantees paid nut. Altogether 54 were paid out in the year to June last but more are known to have been rolling in since. Unofficially it appears that a casualty rate of between one in ten and one in 15 is beginning to emerge, which is neither startlingly higb nor surprisingly low.

It should be remembered, of course, that failures are not a total write-off either fnr the Government or the bank concerned since loans under the scheme are often secured by business assets. What is left is split 80-20 between the bank and Government.

Between now and November the DnI will be attempting to draw some firmer conclusions.

In a nutshell the Government has three nptions. The first is to do nnthing, end the pilot scheme and hand total responsibility back to the banks. This is highly unlikely given the demand for loans. The second is to introduce a permanent scheme, probably modified in the light of experience. The third, and most likely, is to continue the pilot version for another year or 18 months either nn the same basis nr with different guldelines.

Bank advances to UK residents *

(£bn)	1976	1977	1978	1979	1980	1981	1982 (August)
Manufacturing	4.84	5.10	6.06	7.58	9.26	10.12	11.10
Other production	2.23	2.59	2.97	3.58	4.41	5.14	6.08
Financial	2.93	2.78	2.88	2.74	2.80	3.20	3.77
Services	5.26	5.94	6.65	7.95	9.83	12.96	15.47
Persons	3.16	3.58	4.46	5.77	6.96	10.18	14.55
Total	18.42	19.99	23.00	27.62	33.26	41.60	50.97

* London clearing banks only.

Source: CLCB.

Bank lending to industry*

	Overdraft (£bn)	Term
1976	6.27	4.58
1977	6.32	5.30
1978	6.84	6.32
1979	9.07	6.83
1980	10.48	8.64
1981	11.30	11.80

* London clearing banks.
Source: CLCB Statistical unit.

UK acceptance market

(£bn)	Sterling	Other currency	Total
1977	2.2	0.3	2.5
1978	3.4	0.4	3.8
1979	5.7	0.6	6.3
1980	5.1	0.5	5.6
1981	7.9	0.8	8.7
1982 (August)	12.2	1.0	13.2

Snurce: Bank of England.

The UK leasing industry*

	£m
1972	130
1973	238
1974	321
1975	340
1976	421
1977	675
1978	1,214
1979	1,802
1980	2,359
1981	2,674

* Assets acquired at cost during year. Source: Equipment Leasing Association.

PROFILE:
MICHAEL HAWKES

Top post caps long service

"I AM thinking of instituting a rule that all the bank's directnrs shnuld spend at least two dnys n month, when they are all in the office," says Mr Michael Hawkes, who takes over as chairman of Kleinwort Benson, Britain's biggest merchant bank, next May, from Mr Robert Henderson.

With more than 40 executive directnrs roaming the world looking for business Michael Hawkes finds it difficult to get them all seated down together. This is just nne of the major changes which has taken place since he entered the bank in the early 1950s on coming down from Oxford with n rowing Blue.

He had intended tn work in insurance, but was encouraged to read fnr the bar, and joined Kleinwort, Sons & Co, "a tiny little bank" in those days. The merger with Robert Benson Lonsdale, in 1961, put the bank on the map and, for the next seven years, Mr Hawkes operated Kleinwort's Scandinavian business.

His first majnr break came in 1967 when he was put in charge of the bank's foreign exchange operation. Within four years he was heading Kleinwort's banking divisinn and assimilating Sharps Pixley, the bollion dealers, into the organisation.

"My greatest challenge was to apply new rules for controlling the risk at Sharps Pixley," says Mr Hawkes.

When he showed his ideas to the bullion men "they said they would not work, but they did." Today, Sharps Pixley has one of the most sophisticated computer systems of any bullion dealer in the world and the same goes for the foreign exchange operation.

The biggest change at Kleinwort's, in his view, is the expansion of the bank's foreign currency business and the physical expansion of banking operations overseas.

Today, Kleinwort Benson ranks amongst the ten biggest UK banks, operates in eight overseas financial centres and has representative offices in annther dozen cities.

The bank is still not as heavily involved in Nnrth America as Schroders, its close rival, and this is something Mr Hawkes is reviewing.

Kleinwort Benson Inc, the U.S. subsidiary, was established 12 years ago and is involved in underwriting and selling securities, and, as a result, Kleinwort is prevented from having o banking branch. Nevertheless, its offices in New York, Los Angeles and Chicago, keep the bank in tonch.

WILLIAM HALL

Leasing sector experiences squeeze on growth

Mixed reaction by authorities

LEASING
DAVID FREUD

ONCE AGAIN *leasing is* under threat from the authorities after a period when it seemed to have won acceptance. The attitudes of officialdom—and in particular the Inland Revenue—have been soured by the enthusiasm with which UK banks began last year aggressively to export tax advantages abroad for the benefit of non-UK companies. Although the clearing banks subsequently came to an informal arrangement not to continue this type of leasing, tnugh legislation was nevertheless introduced to make sure the export of this benefit could not re-emerge.

At the same time Sir Geoffrey Howe, the Chancellor, announced in his Budget speech this year that there would be an examination of the taxation of banks. Since the device the hanks have used to rednce their tax bills has been principally leasing, any changes in taxation could nbviously have implications for the leasing market as a whole.

The main reason for both the rapid growth in leasing in Britain during the 1970s and its controversial nature, was because it was based on the tax system, in contrast to the industry in most othar countries. Since 1972 tax legislation has allowed buyers of assets to claim 100 per cent relief in the year nf purchase. Businesses which weuld nnt normally buy anytbing like *enough assets for* their own nse to match their profits, in particular banks, soon began to buy the assets and pass them over for the usa of manufacturers through a leasing agreement.

In practice this meant that the investment incentive was shared, through the leasing rates, between the lessor, who was deferring bis tax liability until he bad to pay tax on his rental income, and the lessee, for whom the rental would be very much lower than the interest rate burden of buying outright if he did not have taxable capacity of his own.

The rapid growth rate of the 1970s is indicated by the figures of the Equipment Leasing Association, wbose membership is dominated hy the hig banks and which claims to account for at least 90 per cent of the market. In 1971 annual leasing nndertaken by members was £159m; by 1976 the figure had risen to £421m. From 1978 there was a jump from £1.2bn to £1.8bn in 1979—an increase of 48 per cent.

Subsequently the rate of expansion has slowed considerably, however. In 1980 the amount of business written rose by only 31 per cent; after inflation this was the equivalent nf a 14 per cent increase in volnme. In 1981 the increase in business written waa a mere 13.4 per cent. This gain was *only* obtained thanks to a very sharp increase in international leasing.

While the ELA claims there has been a pick-up in 1982 so far, the signs ara that tha headlnng growth in leasing is slowing towards a probebla saturation point in terms of lessee demand in the region of 20 per cent of total capital expenditure. This is the market share at which the U.S. leasing industry appears to have stabilised.

Amnng the reasons for the squeeze on growth last year were the legislative changes in the 1980 Finance Act.

Whatever the reasons for the slowdown—and the recession in the UK has clearly heen another contributory factor—it has had quite an impact on rates. Once committed to leasing, the banks have put themselves nn a treadmill. If there is a sharp turndown in leasing business they are threatened with a clawback of tax allowances already granted, nr at the very least much higher effective rates of tax on the current year's income. Moreover, while there are signs of a squeeze on profits developing, nver the last two years profits of the clearing oanks nave held up rather well. Healthy profits mean more taxable income needing shelter through leasing.

Already in the September 1980 issue of the Bank of England Quarterly Bulletin an article pointed out that the effective rate on which leasing deals were done had fallen dramatically. It found that whereas in 1976 ond 1977 effective lease interest rates were arnund the level of the Finance Houses Assnciation base rates, by 1980 the effective rate had fallen to about hslf. Since then it looks as if the gap has widened further and earlier this yesr Barclays claimed that lease rates were so low that all the henefit of the tax allowance was passed nn to the lessee.

Another sign nf the aggressiveness with which the big banks chase leasing deals occurred last January, when Lloyds announced it had stitched up an £80m deal for an oil rig single-handed. There was no sharing of the risk as might have been the tendency for a loan of this size. Moreover, the effective interest rate was helow 6 per cent—although the potency of the capital allowances was backed up in

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Substantial profit levels could become more elusive

EXPORT FINANCE
PAUL CHEESERIGHT

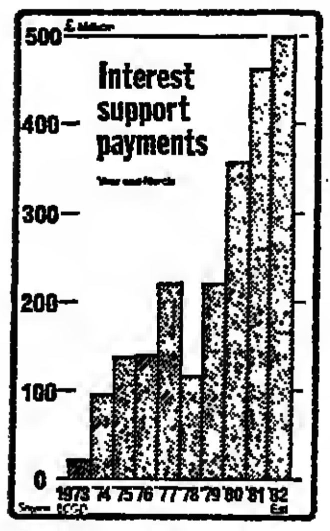
THE HIGH level of demand for fixed rate export finance from the banks appears to have slackened as the recession has led developing countries to curtail capital spending plans and hold back imports.

At the same time the margins paid through the Export Credits Guarantee Department (ECGD) by the Treasury as a fee to the banks for the service has been pared. A new system of assessing the banks' margin of return came into operation on July 19.

The combination of these two factors suggests that the making of substantial profits from fixed rate export financing could become progressively more difficult.

But the vast bread-and-butter business of export financing on short-term credit is unaffected by the new ECGD system and bankers expect it to continue as a matter of routine.

On the face of it the provision of fixed rate export finance, credits for over two years, had always appeared lucrative. The banks obtained the funds at market rates and on-lent them at the lower rates specified in the Arrangement on Guidelines for Officially Supported Export Credit—better known as the OECD Consensus.



Support payments from the ECGD, in respect of export finance supplied by banks, reached record levels last year.

The Treasury made up the difference between the two interest rates and added a margin of 1¼ per cent as a fee to the banks. The finance was covered by the ECGD.

Certainly the Treasury considered the banks were doing well enough out of the system, arguing that the way in which they had reduced their fees to attract business meant that they were taking their profits out of the margin.

For the banks this was not an attractive argument. Rather, they said, the business may look lucrative but the messy way in which the system was organised meant that they never really knew whether they were making any money at all. Reduction of the margin could mean the disappearance of some banks from this part of the market altogether.

In essence the banks had to face a cash flow problem. Loans were being drawn down but the banks were bearing the cost of them for quite lengthy periods because ECGD was making the interest make-up payments only once every six months.

The argument rumbles on because the changes which came into effect two months ago reduced the margin but did not wholly address the problem of the system's reorganisation.

Essentially the changes involved a reduction in the margin from 1¼ per cent over three month sterling LIBOR to ¾ per cent for credits with a repayment period of up to 12 years. After the 12 years the margin rises to 1 per cent.

At the same time the interest make-up payments are being made on a quarterly rather than a half yearly basis. ECGD is now publishing a reference rate each month so that the 150 banks involved in this area of sterling export financing can calculate exactly what is due to them as an interest make-up payment for the business they have funded in the previous month.

These changes apply only to export finance denominated in sterling, but banks seem to agree that this system is more sensible than that which preceded it.

Some are prepared to concede that the more rapid system of interest equalisation offsets in part the reduction of the margin, because it reduces the period over which they carry the cost of draw downs of a loan.

But they add that, while this system may be welcome, its importance has been diminished by the changes in interest rates. The gap between Consensus rates and market rates has narrowed or been obliterated.

The days when there might have been six percentage points difference have disappeared. ECGD's reference rate for the period between August 4 and September 7 was 11.097 per cent, but the Consensus rates for relatively rich borrowers have, since the middle of the year, been 12.15-12.4 per cent.

This thrusts the concerns of the banks back to the level of the margin. Because the changes apply only to new business it is too early to assess whether the pool of banks willing to provide export finance has become smaller.

But anecdotal evidence suggests that there has been some hardening of fees and that banks are looking increasingly carefully at loans with longer maturities. This in turn has given rise to suggestions that there should be a varied scale of margins, with more at the longer end of the market.

From the banks' point of view, however, there is a wider context. Negotiators active in the major developing countries—the newly industrialising countries which have been buyers of UK capital goods and recipients of export credits—report gathering resentment against the higher interest rates set by the Consensus.

At the same time the developing countries are being asked to meet the demand for higher fees. The confluence of these two factors at a time when recession is in any case affecting the capital goods markets has led in turn to the argument that the wrong time has been chosen to change the margins.

It is pointed out that the savings to the Treasury are very small. They have been put at just over £10m between now and March 1983. But this has to be set against the huge amounts the ECGD has been paying in interest equalisation payments. In 1980-81 they came to £461m and in the year to March 1982 they will be over £500m. In the current financial year, however, they should decline quite sharply provided commercial interest rates do not rise again.

This year, though, the level of business is likely to drop. One of the reasons why world trade in manufactured goods held up reasonably well last year was the continuing demand from the developing countries. But the General Agreement on Tariffs and Trade (Gatt) has pointed out that this momentum has faltered this year.

Mirroring this general experience, the level of buyer credits supported by ECGD reached record levels in the year to March 1982, but the demand was tapering off towards the end of the financial year and the more than £4bn provided is not thought likely to be exceeded this year.

Given the fact that banks are faced with the problems of debt reschedulings in markets like Mexico, Zaire and Comecon, it looks as if the competition will be fiercer still to lend to the diminishing list of countries which are not over-borrowed.

BANKING STATISTICS

The growth of BACS*

	Volume m units	Users (no.)
1976	261	2,250
1977	296	2,810
1978	335	3,470
1979	384	4,200
1980	432	5,110
1981	485	6,450
1985†	900	14,330
1989†	1,841	28,830

* The Bankers' Automated Clearing Services (BACS) was set up by the major banks in 1971 to provide automated money transmission services to the banks and their customers.
† Forecast.

Maturity structure of bank lending

(£bn)

	Sterling	Foreign currency	Export credit	Total
Overdraft	15.5	0.3	—	15.7
Term loans:				
up to 1 year	5.2	0.8	1.3	7.3
1-3 years	2.4	0.4	1.2	4.0
3-5 years	1.5	0.5	0.8	2.8
5 years plus	2.6	1.0	0.8	4.4
Total	27.0	3.0	4.2	34.1

* August 1981; advances to UK non-personal borrowers.
Source: CLCB.

Attitudes to leasing

CONTINUED FROM PREVIOUS PAGE

this case by Government-backed ship mortgage finance.

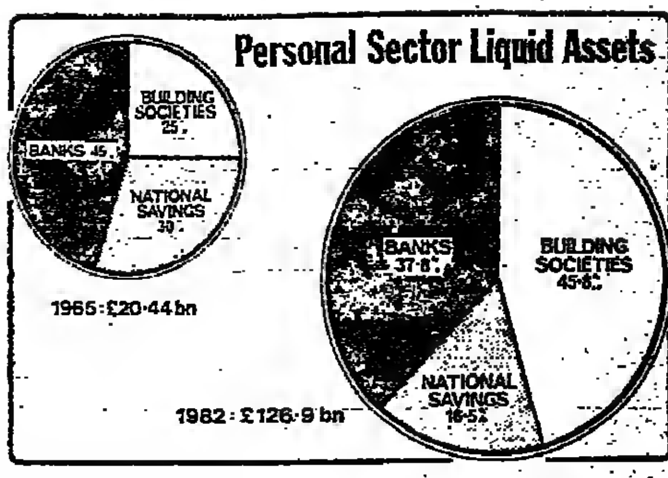
The pressure valve used by the banks until recently to let off some of their excess leasing capacity was the outside world. Last year international leasing soared from £184m to £572m. Many of the deals involved the supply of leasing finance to fund projects in the U.S.

This kind of deal has been dubbed the "double dip." Under it a British bank bought an asset and claimed British capital allowances on it to be set off against its own profits at the 25 per cent rate set in the 1980 Finance Act. The cash flow benefit was passed on by the way of lower rental charges. At the same time the U.S. user could, under American law, also claim it owned the asset and take tax allowances against its profit. So tax allowances were claimed twice over. The biggest such deal involved Barclays and General Motors, for a production line.

To kill this possibility, the 1982 Finance Act reduced the rate of writing-down allowances for assets leased to non-residents from 25 per cent to 10 per cent. Similar changes were applied in capital allowances for chartering ships or aircraft overseas and to film finance.

At the same time the Revenue moved to kill one obvious avoidance mechanism—very long leases with delayed rentals which would give lessors their tax relief early in the life of the lease but delay the tax liabilities until much later. The Act has a provision eliminating capital allowances where there is irregular payment of rentals, rentals payable at more than annual intervals, a lease period of more than 13 years or any payment based on the value of the plant at the end of the lease.

The attitude of the authorities remains mixed. Certainly earlier suspicions of the leasing industry in the Bank of England appear to have subsided. In 1979 the Governor of the Bank, Mr Gordon Richardson, warned that there was concern in some quarters as to whether the industry's growth carried "some risk of instability." But the September 1980 Bank Bulletin said it was a good example of a competitive financial market where narrowing margins had increased the benefit to industry. The attitude of the Revenue is much more hostile, and the foreign leasing episode has increased its determination to curb the activity of the banks in this area. Holding the balance is the Treasury; and the outcome of the investigation into bank taxation now being carried out will show which view has gained the upper hand.



Money transmission volumes*

(m units)

	Cheques cleared	Bank giro credits	Automated items: direct debits	Automated items: other	Automated items: standing orders†	Total
1971	1,087	n.a.	41	n.a.	n.a.	1,412
1972	1,132	250	55	13	98	1,557
1973	1,218	266	69	19	111	1,692
1974	1,275	282	81	28	109	1,790
1975	1,387	298	93	37	110	1,953
1976	1,473	330	100	48	115	2,099
1977	1,560	346	113	59	125	2,241
1978	1,678	365	131	70	137	2,421
1979	1,780	391	152	82	153	2,601
1980	1,954	422	173	96	203	2,860
1981	2,031	414	193	115	212	2,982

* Includes inter-bank and inter-branch clearing. † Does not include standing order inter-branch.
Source: Banking Information Service.

PROFILE: DAVID BARBER OF THE BRITISH BANKERS' ASSOCIATION

Beavering away behind the scenes

MR DAVID BARBER is nine months into his two-year stint as chairman of the British Bankers' Association (BBA) executive committee and admits that "things have gone rather quiet lately."

"But that is no bad thing," says Mr Barber, a Midland Bank general manager. "When I took over from John Cooper, the major Bank of England papers on foreign currency exposure, the measurement of liquidity and monetary control, had all been agreed."

"The first thing I did was to take up the cudgels on the tax front," he says. The BBA's 340 members were up in arms about the Chancellor's planned changes in the double taxation relief available to banks for their overseas lending.

"It generated a tremendous amount of heat," says Mr Barber, "because of the danger it posed to London's position as a major financial centre."

At the end of the day Mr Barber and his men won their way—although he is anxious that it is not referred to as a victory.

"We demonstrated to the Treasury that their plans would impact very severely on the banks' ability to assist their customers, in particular UK exporters," says Mr Barber.

He accepts there might have been some very limited abuse of the withholding tax provisions by some operators in the market. However, it was not enough to justify closing the door on the concept altogether.

"We produced a formula and said we would be prepared to restrict the benefits to 15 per cent. And they agreed," he adds.

Another area where the BBA is beavering away behind the scenes, is in looking after British interests in the regular discussions about EEC policy initiatives.

"We have gone to town on that," says Mr. Barber, who organised the BBA's first ever seminar on EEC affairs and next month is heading a group of some of the City's senior bankers on a visit to meet the EEC's "top brass" in Brussels.

The BBA is flourishing as an EEC watchdog, but it has never quite defined its territorial limits with the Committee of London Clearing Bankers (CLCB), on which Mr David Barber's chairman, Sir Donald Barron, sits.

The CLCB remains the main lobbying body for the big clearing banks, but it is interesting that in areas such as the review of UK bank taxation the BBA is becoming more heavily involved.

UK BANKING VIII

The banks have successfully challenged many of the bad habits of the building societies

Competition from clearing banks prompts some hard thinking

BUILDING SOCIETIES
DAVID STENHOUSE

RECENT HISTORY for the building societies could have come straight from Beethoven's Pastoral Symphony. Two years ago they were merrily going about their business, with no competitors in sight, expanding as if there were no tomorrow. Then a terrific storm blew up in the shape of competition from the clearing banks. Something close to panic gripped the movement.

Finally, in the last two months, the storm has gone and the societies are surely singing their hymn of thanksgiving. There is hardly a cloud in the sky.

However, things will never be the same again. The societies did receive a very rude shock and there will be no going back. Competition from the clearing banks has brought into focus a number of skeletons in the societies' cupboard and has prompted some serious, and long overdue, thought about the future of the movement.

The societies have lost, presumably for ever, their comfortable life as monopoly suppliers of mortgages.

Banks have successfully challenged many of the bad habits that buildings societies had developed, without anyone inside or outside the movement really noticing.

Borrowers, in future, can thank the banks when they see the buildings society surveyors' report, or when they do not have to pay a substantially higher rate of interest for a large loan (i.e. one large enough to pay for half an average house).

Comparison

And soon, they will be able to make a fair comparison of the interest rates charged by both banks and building societies, (assuming, of course, that the societies ever move round to implementing the Office of Fair Trading's recommendation that they publish APRs).

Important though these changes are, those which point to the future of the movement are more important still.

Clive Thornton at the Abbey National first saw the need for the societies to take stock of where they were and where they were going. He blew the whistle on the way in which the societies were becoming ever more like commercial banks, leaving far behind their original co-operative and high-minded ideal of improving people's housing conditions.

Abbey National has been active in building houses for sale and for rent, and in working to improve the inner cities, and other societies have cautiously followed at a safe distance.

For all that, building societies have to live with today's competition, and that means getting daily more like banks.

When the banks threatened to take a big bite out of the societies' lending market, it seemed as if the societies might have too many branches and staff for their new straitened circumstances.

For a number of societies, the answer lay in counter-attacking at the banks' dominant position in money transmission services.

The Leicester and Birmingham building societies both rather unwisely offered their customers introductions to banking rivals who would be only too delighted to provide them with a cheque book service. (In the Birmingham case, customers receive probably the least attractive chequing service that man has yet devised.)

The Abbey National, on the other hand, has kept the reins in its own hands and will soon be launching, with a little help from the Co-operative Bank, what looks like being the first serious challenge to the clearing banks' stranglehold on money transmission.

The second will come from the Halifax, which has made similar arrangements with Barclays. If they live up to their advance billing, making no charges but paying real interest, these accounts must surely be successful.

Mr Thornton may be helping the societies rediscover their past, but he is clearly no slouch at leading the way forward to the future.

It seems inevitable that the societies will move towards full service banking, however much they fear it. And at precisely the moment they need it, technology is coming to their assistance. Several societies are installing cash dispensing machines and this trickle looks as though it will soon turn into a flood. The Halifax should have 100 machines by the end of next year.

More important still, the banks' plans to introduce an electronic point of sale payment system offer the societies the chance of giving customers a modern money transmission system with none of the expensive and messy problems of dealing with cheques.

Meanwhile, it is strange that building societies are not doing more to challenge the high street banks' campaign to get wages paid through the banking system.

The banks' challenge seemed really promising a couple of months ago. They were accounting for around 40 per cent of the increase in mortgage lending and the societies were struggling to keep their market share about 50 per cent, compared with their accustomed 90 per cent.

Not only were the banks attracting the building societies' best customers, but Barclays was on the point of re-opening for business on Saturdays to fight back in the battle for deposits and Lloyds was buying its way towards a big stake in the estate agency world and threatening the long-standing cozy relationship between societies and estate agents.

Most of the big banks now appear to be suffering from indigestion after their feast of mortgage lending and are cutting back, but what has really come to the rescue of the societies is the dramatic fall in interest rates.

Suddenly, building societies are back in the driving seat on deposits, paying far better rates than the banks and even outbidding them for the deposits of non-taxpayers.

As if to turn the knife in the wound, Abbey National now offers an extra 0.75 per cent for deposits at seven days notice, totally upsetting the comfortable view that bank seven-day deposit accounts were directly equivalent to building society shares.

Other societies, too, have hit back at the critics who claim that all they offer is an uncompetitive cartel.

The Alliance has left everyone else behind by its index-linked deposits, which depositors can pick up useful bonuses all over the place for lump sums as small as £1,000 and longer periods of notice.

Building society leaders are suggesting that new legislation should allow them to provide rented accommodation, do conveyancing and make consumer loans. At least some societies want to be able to offer overdrafts, so that they can run proper current accounts.

The authorities have, however, let it be known that the societies cannot enjoy the benefits of unfettered competition without losing their long-standing fiscal and regulatory advantages.

It is by no means clear that what is best for the big societies will appeal to the small ones. Today's leaders have a great responsibility as they will be shaping the development of the movement for the next 10 or 20 years. Watch out for fireworks!

But right now, societies are comprehensively outbidding the banks for deposits and almost any future course of development looks rosy in the extreme. Far from worrying about banks opening on Saturdays, it just seems like a further convenience for those moving their deposits over to the building societies.

Major banks mortgage lending

(mid-September 1982)

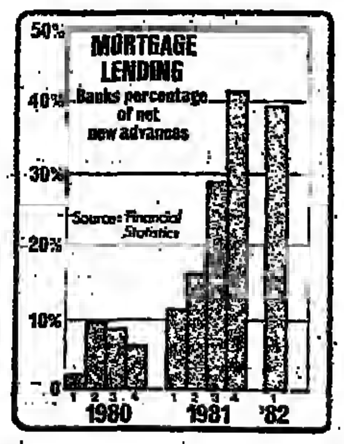
	Scheme estimate	lent £m	No. of borrowers	Monthly rate of new lending
Barclays	Nov 1980	1,500	65,000	50
NatWest	July 1980	884	30,895	96
Lloyds	Jan 1979			
Midland	June 1979	667	32,362	25
TSBs	Aug 1979	508	34,000	30
Williams & Glyn's	June 1981	150	6,000	—

Banks versus the building societies

(Branch numbers)

	Bank	Building society
1973	11,788	2,808
1974	11,807	3,099
1975	11,728	3,375
1976	11,659	3,696
1977	11,628	4,130
1978	11,438	4,595
1979	11,364	5,147
1980	11,289	5,716
1981	11,271	6,203

Branches of London clearing banks only.



Banks versus building societies

LENDING TO PERSONS FOR HOUSE PURCHASE
(net lending by quarters—£

Quarter to		London clearing banks	Building society
February	1980	50	1,06
May	1980	54	1,24
August	1980	125	1,47
November	1980	83	1,65
February	1981	110	1,54
May	1981	256	1,74
August	1981	498	1,778
November	1981	788	1,323
February	1982	767	1,079
May	1982	950	1,741
August	1982	1,267	2,077

Visions of the 'cashless society'

POINT-OF-SALE PAYMENT SYSTEMS
ALAN FRIEDMAN

THE description (right) is the shape of things to come in Britain, the interface between banking and retailing known as electronic funds transfer at the point of sale (EFTPOS). It was described by Seymour Fortesque of Barclaycard at a recent Bank of England seminar.

POS is years away—at least five and possibly ten from now. It could require an investment of £30m to £50m, and it is unclear who would put up the money—the banks or the retailers. The Committee of London Clearing Banks (CLCB) has been moving at a rather slow pace to consider the matter, leaving in its trail a number of frustrated bankers, including Mr Fortescue.

As he puts it: "We get fed up with committees. There has been a lot of talk from the CLCB, but very little action."

A great cheer went up last November when the CLCB issued a Press release announcing plans to go ahead with plans for the introduction of a new payments system, based on the use of terminals at the point of sale. A full-time project team was organised to take the work forward and to hold talks with banks, card issuers, potential suppliers, retailers, British Telecom and other interested parties.

But the CLCB was vague about its plans: "A totally distributed system is envisaged, under which each participating organisation will enjoy considerable freedom to set up its own commercial policy for the implementation of POS."

What are the attractions of POS?

It can reduce fraud—always a problem for banks and payment organisations. It can reduce the significant cost of paper-based systems such as cheques. It can provide a more speedy and efficient method of purchasing for customers and retailers. But can it work in the UK?

There are hundreds of thousands of retail outlets in the UK which now accept plastic cards for payments. It is uncertain how many of these could afford to run a counter terminal for the POS system. In countries such as West Germany it is thought that only large retailers will be able to run POS terminals initially.

The three basic elements of a POS system are *authorisation, data capture* and *identification*. The first is the process by which it is ascertained (in a matter of seconds) whether the customer is creditworthy. The second refers to the mechanics of debiting the purchase amount from a customer's account and crediting the retailer.

Identification is perhaps the most obvious element of the triad. The preferred method seems to be the PIN approach, where customers memorise the number which they tap into a terminal to prove their identity (as is currently the practice for cash dispensers).

The identification problem has inspired some truly bizarre solutions. Aside from the PIN method, technology may soon bring the world fingerprint, voice pattern and signature devices. The most eccentric method being considered in the States is a machine which would scan the pattern on a customer's retina — the "eyeball" method. But this one seems unlikely to become accepted in Britain.

According to Mr Fortescue, the most likely route POS banking could be the "evolutionary approach." This would involve the introduction of telephone terminals in retail outlets, which could have authorisation and data capture features added later.

But he stresses the need to keep options open. Telephone authorisation machines—costing around £400 each — are nonetheless being introduced in the UK. The Barclays-Visa system is known as Cardsure.

The system will have to be compatible with other cards such as American Express and Access, and this is a problem for planners. But such a machine could enable retailers to check a customer's credit-worthiness in 20 seconds. A French Visa cardholder, for example, could enter a shop in Oxford and produce his card. The magnetic stripe on the back of the card would be put through a terminal and, via normal telephone lines, the customer's account would be verified.

The process would run as follows: first from Oxford to the Visa computer centre in Northampton, then from Northampton to a central Visa terminal in California, next from California to the customer's Paris bank, back from Paris to California and then on to Northampton again — all in 20 seconds.

Such banking technology may seem futuristic, but it already exists. The challenge is to make use of it on a mass commercial scale.

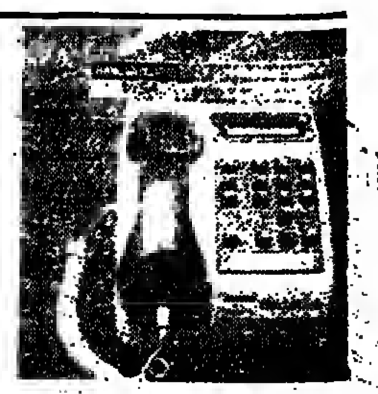
The shape of things to come

"HERE WE ARE at the check-out of a supermarket.

"The shopper hands her card to the sales girl who runs it through the card reader attached to the store's electronic cash register. The card itself could be a debit or credit card. In other words, it is a card accessing a conventional current account at a branch or a centralised line of credit.

"The shopper identifies herself by entering her Personal Identification Number (PIN) into the keyboard. Meanwhile, the sales assistant has entered the total of the purchase.

"The necessary details of the transaction, the account number and PIN and the amount are then sent to the card issuer's host computer. The host responds—authorise, decline or refer—within four or five seconds and the transaction is completed."



Cardsure, a new automatic authorisation telephone terminal which Barclaycard is introducing at retail outlets.

New personal lending

Consumer credit	1976	1977	1978	1979 (£m)	1980	1981	Total outstanding
Banks	266	397	895	1,132	1,163	2,034	8,876
Finance houses	67	288	530	633	630	304	3,624
Insurance companies	—	25	24	36	51	60	311
Retailers	141	98	160	194	99	59	1,486
Sub-total	473	808	1,609	1,995	1,943	2,457	11,297
Loans for house purchase	3,839	4,362	5,527	6,590	7,382	9,690	
Other*	611	886	1,018	2,300	1,678	2,160	
Grand total	4,923	6,056	8,154	10,885	11,003	14,307	

* Includes lending to unincorporated business and non-profit making bodies serving persons
Source: Financial Statistics.

Spreading the banking habit

Wage/salary payments of all adults in Great Britain

	1969	1976 (per cent)	1979	1981	1981 (m)
Cash	75	59	54	44	10.3
Cheque	10	12	14	15	3.4
Direct to bank accounts	15	27	31	38	9.0
Other	—	2	1	3	0.7

Source: Banking Information Service.

UK credit card market

(end 1981)	Cards (m)	No. of retailers accepting
Barclaycard/Visa	6.1	169,000
Trustcard	1.54	
Access	5.35	175,000
Amex:		
Green card	0.575	53,000
Gold card	0.025	
Diners Club	0.26	41,000
Store cards	4-5	

Business is better than ever

CREDIT CARDS

DAVID STENHOUSE

THE PAST year has been one of the best ever for credit cards. The threats of widespread surcharging have been lifted, there is a new weapon to combat fraud, a new breed of gold card has been established, business has continued to boom and profits are riding high.

It was only last December that tho Minister for Consumer Affairs, Sally Oppenheim, after balancing on the fence for fully 14 months, finally came down on the side of the credit cards.

Originally, the Monopolies Commission had recommended that retoilers should be free to impose surcharges on customors making purchases by credit card.

Some retailers, led by the garages, immediately started slapping heavy surcharges on credit card sales, causing anguished cries from the cardholders who became their victims.

The final decision, when it came, was *a famous victory for* the credit card companies, removing a serious threat to the well-being and happiness of their cardholders. It also acknowledged that 12m or so credit cardholders were a powerful and articulate group that could not be lightly offended.

In the warm afterglow from thia decision, it is difficult to remember that not all credit card operations are universally successful. The enormous numbers of retailers' own budget account cards which erupted a few years ago seem to hove fallen on hard times.

Barclays Bank has closed down its special Barclaycare oporation for bandling retailer cards, because of disappointing card numbers and low average credit balances.

Another casualty was Citibank which discovered that it had picked up a poor portfolio of cards when it took over the UDS Vantage card.

It remains one of life's little mysteries why anyone should have a store budget account card (confined to one retailer, committed to a regular monthly payment and paying interest right from the date of purchase) when they conld have mnch greater flexibility with an Access or Visa card. But the business survives and several companies were happy to jump in where Barcloys regretted that it had ever trod.

A number of new bank cards bave appeared, greatly expanding the potential, if not the actual, competition. There are now no less than four separate banks issuing their own Visa cards, not counting variants of Barclaycard, and even more Access issuers. Eacb bank sets its rate of interost indopendently.

So far, competition has only extended to differonces in the dates of interest rate changes, but the day may yet come when one bank seeks to gain market sharo by cbarging a lower rote of interest than the others.

Bank credit cards are becoming more differentiated in other respects also, increasing the value to thoir cardholders. Barclays' ond Midland's cards can be used in tho banks' automated teller machines to obtain caah advances on the credit card account, ond National Westminster will be following in the spring.

Lloyds Bank's customers can olso obtain casb advances, but they have to carry a separate Access Cashpoint card for the purpose.

Some cardholders also receive free insurance when they buy travel tickets with their cards and most Visa cards double up as a guarantee card for the issuing bank's cheques.

Banks are also increasingly moving into the travel and entertainment (T & E) card market, which has for long been the exclusive preserve of American Express and Diners Club International.

National Westminster already owns just under half of Diners Club UK, but the other members of the big four have set their sights on the new golden premium cards that go far beyond mere T & E cards.

Premium cardholders receive enhaoced benefits such as freo travel insurance, superior cheque casbing privileges, and a guaranteed overdraft facility nf several thousand pounds ot a special low rate of interest.

Lloyds Bank bas been issuing the American Express Gold Card since April 1981, and mado hay whilst it bad the market to itself, to the tune of 40,000 cardholders in just over a year.

In the spring of this year Midland started issuing gold MasterCards, while Barclays is on the point of introducing its gold Visa card. Gold cards are supposed to be what every good materialistic Briton aspires to, the card tbat says the holder has a huge income and can affnrd the onnual fee.

Just how powerful this lure will prove remains to be seen, but Midland is making a special introductory offer of free gold cards for ono year, wbich may devalue the currency somewhat.

Whatever else is happening in credit cards, fraud is always on the increaso. British fraud losses are now running at around £12m a year, but help ia at hand. Barclaycard is currently installing 300 CardSure torminals, which can, in a matter of seconds, autnmatically telephone through to Barclaycard and electronically authorise or reject any Visa transaction.

The first terminals will be going into particularly fraud-prone retailers, but one can expect tbem to become a fairly common feature of credit card transactions in future. They can be used to authorise any of the main credit cards and Barclays has invited the other issuers to piggy-back on its terminals.

Even after authorisation it is still necessary for retailers to go through the rather tedious process of filling out and embossing the sales slip and for credit card companies to go through the expensive process of transferring information from sales slips on to computers.

Here agoin, technology is beginning to play a part. Several department stnres have dispensed with paper and now capture sales information electronically, ready to pass on to the credit card companies.

Even these systems will be rendered obsoleto if and when retailers receive the banks' electronic funds transfer system for point of sale payments. It should thon be possiblo to authorise the transaction and transfer the payments data from retailer to credit card company in one single operation. The credit card companies are heavily involved in planning the system and should be among its major beneficiaries.

Meanwhile, the business of the credit card companies seems to bo booming. Figures published by Access sbow that during 1981 it increased both turnover and interest-earning balances by a third, the sort nf growth that is good news for a highly centralised and computerised operation.

The number of credit card transactions is approaching 200m a year, accnunting for around 15 per cent of all retail payments, apart from those made in cash.

The number of transactions should jump sharply when the point of sale system cuts out the irritating hassle of form filling and managerial authorisation that credit card transactions generate in too many high street shops.

But that could bring its own problem—do retailers really want to pay for a month's free credit for the purchaser of just a toothbrush or a felt-tip pen? Will they abandon credit cards altogether and rely on the banks to provide any credit their customers need?

Right now, with volume up and interest rates down, credit cards should be profitable as never before. If there is one *small cloud on the horizon*, nn bigger than a man's hand. It is the thought that the Offico nf Fair Trading will continuo to monitor the way in which the credit card companies are using their technical monopoly of the market.

Credit card transactions in Britain are now close to 200m a year.

Breaking down barriers for the unbanked

CASHLESS PAY

ALAN FRIEDMAN

"WE ARE far behind other industrialised countries . . . We have one of the most sophisticated banking systems in the world and yet we still lag *behind other countries* in the number of people who have bank accounts."

These frank words, from the man appointed by Britain's high street banks to convert "the great unbanked," underscore the depth of the problem. Mr Ferry McCarthy, project executive of the clearing banks' Payment of Wages Working Group, minces few words when discussing the reasons why 39 per cent of Britain's adult population still does not have a current account.

The working group was launched early last year to persuade Britain's employers, trade associations, unions and professional bodies to disseminate information to employees which in turn, will persuade the unbanked population to open an account and allow wages to be paid directly into it.

The mere fact that the clearing banks only woke up to the need for a formalised campaign as late as 1981 must raise some questions. Why has it taken so long to realise the need? How can it be that, as of last year, 44 per cent of the workforce was still paid in cash?

Mr McCarthy admits that in part, the banks' *decision to take* action on cashless pay was "reactive." The banks are responding to much keener competition for deposits from building societies, to the need to bolster their deposit networks and to the growing attractions of Britain's personal sector market.

For many years the hanks were not willing to take on the social and cultural wall which prevented a number of working class people from opening bank accounts.

As Mr McCarthy puts it: "We are still living with the legacy of the industrial revolution and the real distinction between social classes which has been prevalent in this country. We still have a long way to go."

Compared to other Western industrialised countries, the UK is far behind. In the U.S., around 99 per cent of the workforce is paid either by chequo or by direct transfer to bank accounts. In France, the figure is above 90 per cent, while in West Germany it is higher than 95 per cent.

The arguments in favour of cashless pay seem almost self-evident. For the employer, the cost of wage processing can be *reduced through cashless* pay and through a move to monthly, rather than weekly, payment. By shifting from cash to direct payment there are savings on insurance expenses, the security risk implicit in cash payment is eliminated and companies may achieve an improved cash flow management.

A recent policy statement from the Trades Union Congress shows that union leaders, at least, are coming along with the banks. The *TUC said*: "*In* overall terms the TUC favours the general evolution towards improved terms and conditions of all workers, and recognises that improved terms and living standards are often accompanied by non-cash wage payment systems."

But Mr David Basnett, general secretary of the General and Municipal Workers' Union, told a recent London seminar: "I cannot quite see the connection between those two statements."

He said that unions recognised the security advantage of cashless pay, the prospect of better personal budgeting and most importantly, "the process towards single status employment in industry."

He warned, however, that "all the TUC can do is to create an atmosphere: what you really want to know is what the local official of the union is going to say and what sort of attitude he is going to take."

What are the high street banks doing to spread the word about cashless pay (and increase their own deposit bases)? Mr *McCarthy has been travelling* "up and down the country holding seminars." The banks have also produced a tabloid-style newspaper for employers to distribute to the workforce.

"It looks very much like tho Daily Mirror and it is aimed directly at the employee," says Mr McCarthy. More than 500,000 have been printed so far.

Several banks offer free banking during the first 12 months for workers opening accounts. Banks are also introducing "card accounts" which will pay interest and provide plastic card access to money, although not full current account facilities. This is seen as an intermediate approach to the unbanked—offering some interest on deposits, standing order services and a plastic card withdrawal facility. Williams and Glyn's and Midland Bank have been prominent in planning these accounts.

Banks are also willing to hasten the normal three or six-*month period customers* must submit to before receiving a cheque guarantee card.

"If the workforce is being asked to change, it should be able to make use of its bank account as soon as possible," says Mr McCarthy.

But the fundamental problems remain. There has been some progress: in 1976 around 55 per cent of the adult population did not have current accounts—now it is 39 per cent. But at least 15 per cent of the British adult population has no bank account of any description. A significant number of people obviously find it is possible to manage their lives quite well without ever going near a bank.

BANK ACCOUNTS IN BRITAIN, 1981*

Account type	Number of accounts	Percentage of adults
Bank current account	29.25m†	61%
Bank deposit/savings accounts	25.85m†	32%
Building society accounts	34m	50%
National Savings Bank	20.3m	18%
None of these	—	15%

† Includes London clearers, Cooperative Bank, trustee savings banks, Giro Bank, Scottish banks.
* Source: Inter-Bank Research Organisation.

PROFILE: CLIVE THORNTON

Thriving on controversy

CLIVE THORNTON, the chief general manager of the Abbey National Building Society, is the bête noir of the clearing banks. Whenever he stands up he says something which annoys them and he runs rings round them in his frequent radio interviews.

His critics say that Abbey National's policy changes every time Clive Thornton stands up to speak, and there may be an element of truth in this. Nevertheless, as head of Britain's second biggest building society with assets of over £16bn, 6½m customers and more than twice as many branches as Williams & Glyn's, Clive Thornton is making the banks sit up, listen . . . and react.

Senior executives at Barclays Bank, the market leader in retail banking, mnnitor Clive's words rigorously and silently fume at the injustices he does them by his "off the-cuff" remarks.

Clive Thornton ence worked in a bank but left because it had "no soul." "This society was formed by Cobden, Bright and Hume," says Mr Thornton, who argues strongly that the societies should be much more heavily involved in social lending and community involvement, an area where he feels the banks are lax as well.

"I do not see us becoming a popular savings bank," says Mr Thornton but he feels strongly that the building societies should be permitted to "match the broader based operations of the banks in case this is necessary to offer a competitive mortgage and savings service."

He thinks societies should be allowed to offer overdrafts (he calls them debit balances), pay *interest* gross on wholesale money market funds, and become more heavily involved in estate agency, insurance and the provision of legal services—all of which fit in with the Abbey's basic objective of serving the housing market and encouraging thrift. They still use that word even in the most modern societies!

He believes that technological change may blur the distinction between the process of attracting savings deposits and the process of operating a money transmission system—the traditional preserve of the banks.

"Advanced systems of money transmissinn could make it inconvenient to save with non-participating organisatinns. In view nf these possibilities we should seek to have direct access to systems as and when they become available," says Mr Thornton.

The Abbey National's first move in this direction is its planned interest bearing chequing account service due before the end of the year. Having been rebuffed by Barclays when they floated the idea, the Abbey National found a friendly ear at the Co-op Bank, which is prepared to clear its cheques and may well offer a personal loan facility in place of a traditional overdraft.

The true colours of the Abbey's new cheque book service have still to be revealed. Contrary to earlier indications it will not be accompanied by a cheque/credit card and will be more limited than some people had first thought. It will pay interest of around 5 per cent and will not involve any bank charge.

On the subject of the banks' efforts to compete in the building societies' home patch, Mr Thornton is refreshingly open.

"Wherever there is competition the standing of the customer is elevated. The entry of the bank was a marvellous thing. It was long overdue," he said.

William Hall

Mr Thornton feels strongly that tho building societies should be permitted to match the broader-based operations of the banks

Still viewed by the world as a safe haven

AFTER THE initial outcry, the Bank of England's decision in April to freeze Argentine assets does not appear to have had serious repercussions on London's standing as a financial centre.

Whilst bankers profess to dislike being involved in politics, they are becoming resigned to the increasing use of the international money system as a political weapon.

"There was widespread recognition that it was something outside the banks' control and that, ultimately, time will erase the damage," said one U.S. banker.

Put another way, "bankers' memories are short," says Mr Philippe Muûls, chairman of the Foreign Banks' Association. The Carter freeze on Iranian assets did not give rise to a significant shift of deposits out of New York, nor was there a marked disinclination to appoint U.S. banks as agents in loan syndications.

It is widely agreed that the Bank of England handled the freeze in a sympathetic way. Unlike the U.S. freeze on Iranian assets which applied to all U.S. branches regardless of their location, the bank did not attempt to extend the freeze to banks outside its jurisdiction and in the words of an Argentine banker "interpreted the rules in as friendly a way as possible."

"During the Falklands

LONDON AS A FINANCIAL CENTRE

JENNY IRELAND

business there was a lot of rhetoric," says Libra Bank's Mr John Finch, "but practically no retaliation of any kind.

"Although Venezuela was possibly the only Latin American country to do something to help Argentina financially, I doubt whether that included pulling money out of the UK. In any case, the major Latin American countries, being dollar-orientated, tended to keep their reserves with banks in the U.S."

This is not to underestimate the damage done by the freeze, which covered all banks in Britain, whatever their nationality.

With a market share of around 27 per cent, London's leading role as a Eurocurrency centre relies to a great extent on a politically stable and largely unregulated market.

Recently, the Bank has made moves to monitor the market more closely and these are likely to be stepped up in the wake of the Ambrosiano affair. There was a widespread and erroneous impression following the Carter freeze that "it could never happen in London."

During the first month of the crisis there was a drop in foreign currency deposits of £2.2bn, largely the result of the prevailing uncertainties rather than any specific Latin American reaction, with New York and Zurich as the principal beneficiaries. But over the last few months, foreign cash flows have risen steadily from £398m in May, to £1.5bn in June and a record £7.9bn in the month to mid-August.

Exchange rate movements have some bearing on the high figures but according to Barclays Bank there has been a switch of funds out of New York and also out of Luxembourg in the wake of the default of Banco Ambrosiano Holding.

What appears to be happening is that despite the Argentine crisis London is still regarded as a safe haven for foreign funds. With some of the larger U.S. and Canadian banks now looking sick, the broad spread of British banks' business appears to have inspired confidence.

The number of foreign banks in London is still on the increase—some 20 new names have been added to the list in the last year. Few offices have closed and the reaction of the Argentine banks in London is a good pointer to foreign bankers' attitudes.

In common with banks from Chile and Brazil, Argentine banks chose this year to expand their international networks into London. Banco Rio de la Plata set up a representative office in January, whilst Banco de la Provincia de Buenos Aires opened its representative office in April.

Business is obviously thin and new business non-existent, but most Argentine banks seem to be taking a pragmatic view. The exception is Banco de Galicia y Buenos Aires which had already received authorisation from the Bank

CONTINUED ON NEXT PAGE

ANALYSIS OF ADVANCES TO UK RESIDENTS BY FOREIGN BANKS* (%)

	U.S. banks	Japanese banks	Other overseas banks	Consortium banks
Loans to UK residents	12.4	4.1	9.2	0.8
of which in sterling	7.1	1.5	6.5	0.7
Loans to manufacturing industry	14.7	3.0	8.0	0.6
Loans to other productive industries	12.5	0.6	4.7	0.4
Loans to service industries	7.9	9.2	10.5	1.3
Loans to persons	4.0	—	2.5	0.2
Loans for house purchase	6.6	—	2.9	0.5

* Amounts outstanding in February 1982.

Source: Financial Statistics.

UK based banks international lending

	Total ($bn)	British banks	American banks	Japanese banks	Other overseas banks	Consortium banks
		(Percentage share)				
Dec 1977	234.4	23.1	34.2	11.4	25.6	5.7
Dec 1978	301.6	23.0	31.7	13.8	26.8	5.7
Dec 1979	392.3	23.0	29.0	16.2	26.7	5.1
Dec 1980	494.9	23.7	25.0	19.9	26.5	5.1
Sept 1981	570.4	23.6	23.9	23.4	25.2	3.9
Dec 1981	590.2	23.1	22.3	23.0	27.6	3.9
March 1982	619.1	22.7	22.1	25.1	26.2	3.9

* Foreign currency lending to residents and non-residents and sterling lending to non-residents.

What the City of London earns overseas

(£m)	1981
Banking (net)	1,329
Insurance:	
Companies	311
Lloyd's	382
Brokers	302
Less: Debits†	−21
Insurance (net)	974
Commodities	160
Merchanting*	200
Investment trusts	91
Baltic Exchange	285
Stock Exchange	35
Lloyd's Register of Shipping	28
Pension Funds	107
Unit trusts	39
Other brokerage	137
Solicitors	67
TOTAL	3,452

* Profits on non-commodity third-country trade. † Direct investment income due to overseas parents of UK branches, etc.

Foreign banks in the Ci[ty]

	No.*	Total asse[ts] £m
1971	174	18.1
1972	213	23.4
1973	239	40.
1974	262	49.
1975	261	77.
1976	263	104.
1977	298	111.
1978	311	127.
1979	328	152.
1980	351	174.
1981	355	245.

* Directly represented. † Deposits only.

Source: The Banker, Bank England statistics.

International Banking Centres

	$bn	Mark[et] sha[re] %
UK	559	26.
U.S.	214	10.
France	165	7.
Bahamas	155	7.
Japan	149	7.
Luxembourg	101	4.
Swiss Trustee a/c	88	4.
Singapore	78	3.
Belgium	77	3.
Netherlands	71	3.
West Germany	66	3.
Switzerland	63	2.
Canada	59	2.
Bahrain	46	2.
Hong Kong	45	2.
Italy	41	1.
Cayman	39	1.

Source: BIS, IMF, and vario[us] national sources, Septemb[er] 1981.

Bankers wary of disclosing extent of surveillance

ASK A banker what sources of information are used to check the credit-worthiness of a personal customer and conversation will come to a halt. Traditionally, bankers tended to hide behind the shield of customer confidentiality but the growth in public concern about this elusive area is bringing more facts to light.

The clearing banks are now prepared to admit that, on certain occasions, they will seek outside help in gaining information on a person seeking a loan. The circumstances under which banks have recourse to credit reference agencies vary little from bank to bank.

Generally speaking, the clearing banks rely on previous dealings with their customers as the soundest indication of an individual's credit-worthiness. However, in the case of new customers, Barclays, National Westminster and Lloyds Bank would ask either the United Association for the Protection of Trade (UAPT) or CCN Systems for information.

UAPT is the largest and oldest independent credit information agency in the country. CCN Systems, a subsidiary of Great Universal Stores, is a substantially smaller operation which has been running nearly two years.

There are several smaller independant information agencies but these are rarely used by the banks. As one banker said "it is important for the agency to be whiter than white."

Midland Bank, in contrast, automatically consults CCN Systems before granting a loan. The bank argues this policy enables a customer to apply for credit by post and means that borrowers do not have to face an interview with their bank manager.

So what kind of information do these credit reference agencies supply? UAPT, a non-profit making organisation funded by its 10,000 members, has four sources of data.

- First, the company has bought the electoral register. This is considered of prime importance as it can be used to confirm that the customer seeking credit lives at the address stated.
- Second, UAPT keeps for six years details of County Court judgments against individuals.
- The third source of information is the members themselves, with the exception of the banks which argue they are excluded from providing details on their customers on the basis of confidentiality. The banks apart, members will pass on details of credit agreements and the recipient's payment record.
- Finally, every time a member seeks information on a customer this fact is recorded. During 1982 there have been about 330,000 searches on individuals a week, although the recent lifting of hire purchase restrictions has boosted this figure by 20 per cent.

The Nottingham-based CCN Systems operates on slightly different lines. For a start, it

CREDIT REFERENCE AGENCIES

ROSEMARY BURR

is a profit making organisation and therefore its customers do not input information. Mr David Stonehouse, the managing director, was not prepared to discuss details of the company's turnover.

Mr Stonehouse did explain that CCN Systems relied on "public information." The main sources are the electoral register, County Court Judgments and the Post Office's Blue Books. These latter are apparently invaluable when checking the accuracy of a customer's stated address.

Much less clear is the extent to which banks are prepared to exchange information about individuals. If a customer switches banks then they are usually asked to give their old bank as a reference. In this case, some banks will seek general information on the customer from their former bank manager.

However, the banks are by no means complacent about the situation. As one banker pointed out, "there are still people who get away with not paying off their loans repeatedly." In this case, he argued that "it makes sense for banks to exchange information."

While everyone denies the existence of a black list of defaulters, when pressed some bankers admit to an informal old boy net work through which experiences on customers who turned out to be a bad risk can filtrate.

"It all depends on who is dealing with who at any one bank," was the general view.

The banks are wary about discussing these type of arrangements, particularly in the light of proposed legislation on privacy and the rights given to borrowers under the Consumer Credit Act. For a 25p fee, customers are allowed to see what information is kept about their creditworthiness and if this is inaccurate they can take steps to have the data amended.

For all these reasons bankers have to be very careful that the credit reference agencies they consult only deal with generally available easily authenticated sources. It also means few bankers are prepared to discuss openly the grey area of informal warnings from their opposite numbers.

SEYMOUR FORTESCUE OF BARCLAYCARD

Apostle of electronic payments systems

SEYMOUR FORTESCUE strikes an unusual pose in the world of plastic cards and electronic payment systems. Unlike the usual marketing types who inhabit this area of retail banking, Fortescue is the sort of banker one would more normally associate with the low-key activities of a City merchant bank.

Educated at Eton and Trinity College (Cambridge), he has just become, at the age of 40, the chief executive of Barclaycard. His reticent demeanour may be merchant bank-like, but in conversation Fortescue quickly demonstrates his absorption in matters such as "point-of-sale terminals," "fully electronic environments" and "data capture."

Before his appointment as head of Barclaycard last July, he had the meteoric sort of career which bears all the hallmarks of a Barclays high-flyer. After reading economics at Cambridge he joined the bank in 1964 as a cashier. This encounter with the day-to-day world of banking lasted two years and he was then spirited away to the London Business School where he completed a two-year MBA degree.

In 1979, Mr Fortescue was appointed deputy divisional general manager of Barclaycard, responsible for systems development and liaison with Visa. He was made a member of the Visa International board in 1981 and this past summer succeeded Mr Trevor Nicholas as chief executive of Barclaycard.

Among his activities has been membership on the Committee of London Clearing Bankers (CLCB) point-of-sales (POS) working committee. He also has worked on the Norwich POS experiment Barclays ran in conjunction with garages—Counterspeed.

This involved a one-year pilot project which enabled customers to purchase petrol using Barclaycard or the Barclay Bank cash dispenser card. The purchase price was communicated over British Telecom lines to a Barclays computer at the end of each day.

Last June, Mr Fortescue participated in the start of another pilot scheme, this time using Amoco petrol stations in Reading and Portsmouth. The "Supercash" facility enables customers to drive in and draw up to £100 a day by making use of a new counter terminal linked to Barclaycard's computer centre in Northampton.

Mr Fortescue makes no bones about the snail-like process of CLCB meetings on POS issues. He admits he "got fed up with committees" and decided that Barclays must test POS terminals itself.

Mr Fortescue—a fervent advocate of electronic funds transfer systems

He is also frank about the controversial Dee Hock, the West Coast president of Visa, based in California. A number of banks have started to react against Visa's messianic vision for the future and have demanded a stronger individual bank identity.

Commenting on Mr Hock, he says: "He has an extraordinarily difficult job in steering a course between different bank members. At any one time there will be a number of banks who feel hard done by."

One banker who does not feel "hard done by" is Seymour Fortescue. He is very much a Visa team player with a great deal of faith in Mr Hock's message. The Fortescue vision of British retail banking encompasses a network of computerised terminals in shops and petrol stations, open to all payment systems from Visa to Access, but preferably with a larger Visa turnover.

The annual turnover of Barclaycard in the UK is more than £2bn and there are now 6.5m cards in circulation. Some 70 per cent of Barclays customers have a Barclaycard and if Fortescue has his way, it will not be long before many more people have the card as well. He admits that because the Access network can draw upon the current account customers of NatWest, Midland, Lloyds and others, Visa "will have to try a lot harder."

Under his leadership it seems likely that Barclaycard will explore every avenue until it achieves a saturation of the British market.

His devotion to the business comes across strongly. When asked about his other interests, he sits back in his chair and smiles: "Oh, just put down theatre, gardening and my house in France. And my wife is a dress designer. Will that do?"

ALAN FRIEDMAN

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Battle to acquire Royal Bank raises questions over future

THE BATTLE to acquire the Royal Bank of Scotland Group and the subsequent rejection by the Monopolies and Mergers Commission, raises new questions about the future of the remaining British overseas banks.

British overseas banks are those banks which, although based in the UK, conduct the substantial proportion of their business overseas. They tended to specialise geographically — for example, Barclays DCO in Africa and the Caribbean; Grindlays in the Indian subcontinent, the Far East and parts of east and central Africa; Lloyds and Bank of London and South America (Bolsa) in Latin America and Standard Chartered Bank of Asia and Africa.

The Hongkong and Shanghai Banking Corporation is sometimes added to this list, but since it is both based and managed from Hong Kong, it is not strictly in the same category.

These banks were primarily engaged in financing Britain's foreign trade interests, but they also set up large retail branch networks to serve colonial settlers.

During the 1970s these networks were further expanded into the major Eurocurrency centres although the banks largely remained without a strong source of domestic deposits in the UK.

In 1971, the two clearing banks, Barclays and Lloyds, brought these banking interests under the umbrella of their newly formed international banking divisions.

Standard Chartered and Grindlays, however, have managed to hold on to their independence, though Grindlays has powerful shareholders in Lloyds and Citibank. Both banks have taken steps to diversify their geographical spread and have expanded beyond foreign trade and short-term financing to become large international banks in their own right.

The larger and more aggressive of the two banks is Standard Chartered Bank, formed by the merger in 1970 of the Africa-oriented Standard Bank and the Asian interests of Chartered Bank.

BRITISH BANKS OVERSEAS
JENNY IRELAND

Seven years ago the bank's assets were divided roughly 40 per cent in Africa, 34 per cent in the UK and Europe, and 20 per cent in the East. But in 1975 Standard Chartered's managing director, Mr Peter Graham presented a report to his board which outlined two main strategies—one to build up a strong deposit base in the UK and secondly, to become a major force in U.S. banking.

In 1979, the bank purchased Union Bank of California with the result that the U.S. now contributes around one-fifth of group assets.

It has not been without its teething troubles. Successful corporate identification of the middle market sat uneasily with Standard Chartered's other U.S. representation — the retail oriented Chartered Bank of London.

Like a number of Californian banks, the retail offshoot was carrying too many fixed rate residential mortgages on the books and Union's corporate business was under attack from the larger U.S. money centre banks. When the management decided to look outside the bank for a new chief executive, some good loan officers left.

The bank is now tackling these problems. Earlier this year it moved its New York headquarters to Los Angeles, so as to better mesh the two banks' interests. With interest rates coming down, the bank's high money costs should not be such a problem and on the retail side the bank is now looking to the popular "high net worth individual," says Mr Graham.

But the most audacious move came with Standard Chartered's proposed merger with the Royal Bank of Scotland Group.

Standard Chartered's UK network is still fairly small. It comprises the 90 or so branches of Chartered Trust, formerly owned by the Hodge Group, and on the corporate side a small network of 20 or so branches under the bank's own name.

Shareholders' funds deployed in the UK and Europe to the tune of 45 per cent generated a mere 15 per cent in net profits last year. The bank's African sector in comparison generated 23 per cent.

The bank was anxious to seize the opportunity to increase its UK presence to over 50 per cent of total assets and more importantly secure a cheaper and more profitable source of domestic deposits.

Unfortunately, the move failed. Its first bid, warmly welcomed by the Royal Bank Group board, was easily topped by a counter-bid from Hongkong and Shanghai Banking Corporation. Standard Chartered raised its bid and the two bids were referred to the Monopolies and Mergers Commission, which recommended against them. Even if the bids had been allowed to go through, it seems likely that HKSBC would have won the auction.

Mr Graham is now developing another strategy. "There doesn't appear to be any way that we can become a retail bank in the UK other than by acquisition," he says. He intends therefore to build up the UK banking presence in two ways — firstly as a corporate bank aiming at the banker's favourite, the middle market; secondly with expansion of the bank's merchant banking activities.

At the same time Mr Graham is experimenting with a number of money shops run through Chartered Trust.

With total assets of £4.5bn compared with Standard Chartered's £20bn, Grindlays has recorded a sluggish bottom line for some years. Its position is complicated by the presence of two large shareholders, Lloyds which owns 41 per cent of Grindlays Holdings and Citibank which owns 49 per cent of Grindlays Bank, owned 51 per cent by the holding company.

In addition, there is another 11 per cent in the hands of the new Bahrain and Middle East Bank.

The thin market for Grindlays' shares has jumped with monotonous regularity as speculators wait for the shareholders to make a move.

Last year, it was rumoured to be Lloyds' turn, but that Citibank's asking price was too high. It has also been suggested that Grindlays' international network would be a good match for the Royal Bank of Scotland Group.

This year, the bank has undergone a significant restructuring of its asset base with the sale of its substantial and profitable retail operations in Hong Kong. The sale of Grindlays Dao Heng Bank and Grindlays Finance Limited for almost £70m has given the bank the opportunity to improve its capital ratios, help its UK tax position and look for some way of building up its presence in Britain, currently the subject of a management study.

An important financial haven

CONTINUED FROM PREVIOUS PAGE

of England to upgrade its office to a branch in October. If this is delayed too long the bank might close down and look elsewhere, possibly to Madrid.

Although foreign banks have captured a fair slice of lending to UK companies, particularly now that some 50 foreign banks have joined the Bank of England's eligibles list, it is still a highly competitive market and sterling activities just about cover expenses, according to one U.S. banker.

UK subsidaries of local companies are still the prime target, whilst many of the smaller foreign banks have taken the opportunity to put sterling assets on the book in the form of loans to local authorities.

With the Treasury's recent move to offer cheaper forms of finance through the Public Works Loan Board, this easy business may be in jeopardy.

The top performers of the year have been the Japanese banks and securities houses. Staffs have expanded, particularly on the securities side, and the Japanese now control more foreign currency deposits than any other group of foreign banks. Much of the £5.1bn increase in foreign currency deposits during July flowed into, and straight out of, Japanese banks.

Lifting of Ministry of Finance restrictions on participation in syndicated loans has had much to do with the growth, though there is always the possibility that these restrictions might be reimposed. This, coupled with the increasing use of the yen as an international currency and the lifting of foreign exchange controls at the end of 1981, has pushed many Japanese banks overseas.

Five regional Japanese banks, for example, have all announced their intention to set up offices in London in the next few months. So far, Chiba Bank and Ashikaga Bank have joined the long-established Bank of Yokohama. They will remain representative offices however until the thorny question of foreign bank reciprocity is resolved with the Japanese authorities.

In the medium term it seems likely that London's Eurocurrency business may contract slightly whilst banks take a more cautious view of their international lending in general.

In the long run, however, London's status should remain unharmed, if only because alternative havens are few and bankers are leery of putting all their eggs in the New York IBF basket.

"It would take a more permanent problem to change foreign banks' attitudes to London," says Philippe Muûls. This almost materialised in the form of proposed changes to tax treatment of overseas lending.

This, in the words of Mr Trevor Robinson, head of the American Banks' Association and of Manufacturers Hanover Trust in London, would have posed a "very real threat indeed." Largely due to the efforts of the U.S. banks, the Inland Revenue made some important concessions.

"A year ago, before IBF's, it wouldn't have mattered," said one U.S. banker. With IBFs recording steady growth, the UK authorities would be well advised to grasp legislatory nettles with care.

Sector continues to grow despite market saturation

SCOTLAND'S three clearing banks have a problem. Their home market for retail banking is at a saturation point, requiring them to be more resourceful in improving their share of the customers in Scotland.

It also means they must look increasingly outside the region for ways to expand.

However over-banked Scotland may be, its financial sector is one of the region's growth industries.

The banking and finance industry employs something like 80,000 people in Scotland and the figure is growing, unlike most other sectors. The banks, the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale Bank are the heart of this industry, both as banking leaders and clearing houses.

The largest of the three clearers—the Royal Bank of Scotland, is just emerging from the eye of a storm which has stayed with it for over a year. The bank's new leadership has shown the new directions for the Royal following the humiliation over the defeat of its hopes for a merger with Standard Chartered Bank last year.

The Monopolies and Mergers Commission ruled in January that a takeover by the Standard Chartered, or through a rival bid from the Hong Kong and Shanghai Banking Corporation, would not be in the public interest. The Royal was a core industry and takeover by an outsider would weaken Scotland's control over its own affairs, the Commission said.

The decision exposed the Royal's lack of planning, especially in the international field where it had hoped to benefit from the foreign banking expertise of its proposed partner.

But in April, Mr Sidney Proctor, the head of the Royal's English subsidiary, Williams and Glyn's took over control of the group and set about improving the bank's sagging profile, as well as boosting weakened staff morale.

A key development, later this year, will be the formation of a merchant banking arm of the Royal. This banking function has to date been carried out by the Royal's corporate finance division with a staff of about 70.

The new bank, as yet unnamed, will be larger than its main competitor in Scotland, the British Linen Bank, which is owned by the Bank of Scotland.

Besides filling a gap in the bank's activities the new merchant banking interest should provide welcome revenue.

The bank signalled its return to a more aggressive stance in the banking community with the appointment in August of four new directors to the Royal Bank. They included Mr Angus Grossart, managing director of the Edinburgh-based merchant bank, Noble Grossart.

Meanwhile, the bank brought the operations of the Royal and Williams and Glyn's closer together and made no secret of its hope to make the two into one bank in the more distant future.

Williams and Glyn's is seen as offering the main vehicle for retail bank expansion by the Royal group in the south.

The group has synchronised the computer cash dispensing operations of the two banks to offer clients access to their accounts on either side of the border.

This was part of an extensive computerisation programme which tended to be overlooked as the political controversy ranged about the bank.

Beside an expanding cash dispenser network—320 to be on-line by the end of 1983, the Royal has plans for mini-computer terminals in branches allowing staff access to information about any of the bank's 1.6m clients who call in.

The Bank of Scotland, operating from its prominent headquarters overlooking Edinburgh from the mound near the city's castle, has kept up an equally high profile.

Mr Bruce Pattullo, the bank's chief executive, made sure the

SCOTTISH BANKS
MARK MEREDITH

bank's position was clear during the Royal takeover battle as he did not want this bank to be next in line for an outside buyer.

The bank which is 35 per cent-owned by Barclays has been very active in the financing field expanding its home loans activity both to clients in Scotland and to home buyers in England through loans marketed through insurance companies.

The bank also has been helping new companies through the small business loan guarantee scheme and it contributed £250,000 in a joint investment with the Scottish Development Agency to the Clydebank Enterprise Fund to offer finance to new industry in the Enterprise Zone near Glasgow.

The bank has an active computer programme as well as about 200 cash dispensers and a test service called keypoint which allows a customer using his cheque card to receive up to date information about balance, standing orders and receive statements of his accounts.

The bank now has offices in Birmingham and Manchester and Bristol.

One problem in providing nationwide facilities to its customers has been the difficulties in linking the bank's computer system to that of Barclays. The Scottish Bank is pressing for the necessary changes to Barclay's system to allow its customers in the south to be able to make withdrawals at Barclays branches.

While there was considerable expectation in the past six months that the bank might be about to purchase a U.S. bank, the bank still says it is "just looking."

The Glasgow-based Clydesdale Bank is a wholly-owned subsidiary of the Midland Bank. But this association dates back 60 years allowing the Clydesdale to gradually build up its Scottish presence.

The bank is in the midst of an extensive advertising campaign to improve on its estimated 24 per cent of the region's retail market.

It led the banks with point-of-sale facilities at two BP petrol stations near Aberdeen. Customers need just pass their banking card through a terminal to have their account debited directly for the amount of sale.

The bank report one in 10 customers using the Aberdeen terminal and are happy with the response.

Their Autobank network is tied in with the Midland in the rest of the country, although the recently announced tie-up between the Midland and Natwest computer terminals will not provide Clydesdale customers with access to their accounts through Natwest machines.

The bank reported a healthy response to its Clydebank Industrial Finance, an equity taking arm of the bank to aid new business set up in April 1981.

Radical changes enforced in formula for survival

THE MEN who work for London's discount houses have many virtues but adaptability is not generally thought to be one of them. The top-hatted bill brokers who patrol the square yards around the Bank of England seem like survivors from the world of 19th-century finance. But in the past year they have had to change their ways as radically as over the past two decades.

The very survival of the discount market has been at stake. The clearing banks — and other members of the London banking community — are quick to point out that the special role of intermediary between the central bank and the banking system which the discount houses fulfil is not regarded as necessary in other financial centres, where banks have direct access to central bank rediscount facilities. On top of this, the discount houses were widely believed to have privileged access to price-sensitive information by virtue of their position in the Bank of England's armpit.

That belief was hard to square with the catastrophic losses occasionally incurred by houses which misread the trend of interest rates. All the same, there is no doubt that the Bank of England could have dispensed with the discount houses when it redesigned its open market intervention system in 1981. That it chose not to do so shows its preference for operating through small highly geared institutions which are bound to reflect official preferences on interest rates rapidly and faithfully, rather than slogging things out eyeball-to-eyeball with the clearing banks.

A major fault of the old system was that the Bank of England provided lender of last resort facilities ("last resort" occurring nearly every day) at a known and infrequently changed level. Intervention rates on Treasury bills were set according to an inflexible formula which took no regard of the shape of the yield curve in the short money market. And the end of every banking month saw a scramble as the banks tried to make up the required amount of reserve assets.

Since money at call with the discount market was a large component of the banks' reserve asset holdings, and the growth of the discount houses' capacity to expand their books—a function of their capital and reserves—was lagging behind the growth of the banks' balance sheets, the system was bursting at the seams.

The Bank of England abolished the reserve assets system, replacing it with a more flexible set of liquidity requirements for the banks, and thoroughly overhauled its open market intervention policy. Overnight

DISCOUNT HOUSES

MARTIN TAYLOR

lending and the purchase of public sector paper (Treasury or local authority bills), the traditional pillars of day-to-day monetary control, were relegated in favour of a system based on private sector commercial bills. In order to allow a massive expansion in the market's capacity to produce such bills, the Bank extended the list of "eligible" names—whose guarantee makes a bill acceptable for official intervention—far beyond the traditional list of accepting houses.

At the same time the Bank determined to allow market forces more scope in shaping the money market yield curve. Instead of publishing rates at which it was willing to buy bills, it invited the discount houses to tender paper of different maturities at prices of their own choice. When the market has been unwilling to sell paper outright at prices pleasing to the Bank, sale and repurchase operations have commonly been done, although the Bank naturally retains the prerogative of penal lending.

These new working practices were introduced with remarkably little strain, although the rather peculiar conditions in the money market in the first quarter of 1982—when the tax-paying season was heavier than usual because of the end of the Civil Service strike—did not provide an ideal background for a display of flexibility. Credit conditions were very short for weeks on end.

If the Bank has made it clear that it sees a continued role for the discount houses, it also has strong ideas about the limits of that role. The houses are seen as a channel for liquid assets and ideally they should be capable of earning a living from the sheer volume of bills they handle without needing help from capital appreciation on paper held when interest rates are falling.

This implies that forays into the gilt-edged market should be unnecessary: the houses should be able to live without screwing up the risk/reward ratio too high. Highly geared investment in gilts (the houses were traditionally allowed to run a total book of 30 times their net worth) has been a traditional means of providing cream for the cake—cream which can, of course, turn extremely sour if the market goes the wrong way.

The case of Smith St Aubyn last January brought this issue into focus very sharply. This medium-sized house announced that its misreading of the gilt-edged market—it seems to have held £300m of fixed-rate bonds at various times in 1981—had wiped out its revenue reserves. Smith was allowed by the Bank of England to have a necessarily small rights issue to restore its standing somewhat—rather to the annoyance of some of the larger houses, who have been discouraged from increasing their capital on the grounds that the market as constituted could not adequately reward a much higher level of assets employed.

The Smith St Aubyn affair was instrumental in speeding up a new Bank of England paper to refine the crude 30 times net asset multiple governing the size of the houses' books. Heavier weightings are now applied to assets with higher risks of capital volatility, so that a house may now hold a portfolio very much less than 30 times net worth if it has a big holding of long bonds—or up to 40 times net worth if it confines its operations to the bill market. Thus the Bank encourages an active bill market—and high capacity—for its own intervention and penalises undue risk-taking in the discount market, with one stroke of a quill pen.

With speculative profits harder to come by, the bitter facts of business life—that a large discount house costs very little more to run than a small one—might be expected to lead to a series of mergers aimed at reducing overheads. More likely, however, is that the steeply falling interest rate environment of the past few months will have kept all the houses in clover and put off any possible evil day. The recent rise in the houses' share prices, too, is witness to a general perception that things are going well for the sector.

The houses have come through the changes of the last year in pretty good shape, but they are making money for the good old-fashioned reason that rates are falling.

Mr Michael Toynbee, chairman and managing director of Jessel Toynbee, a leading discount house, and chairman of the London Discount Market Association

How a tax 'threat' turned out to be little more than a storm in a tea-cup

Arguments end in agreeable compromise

FOR A WHILE this spring it looked as though the Inland Revenue was poised to strike a deadly blow at one of the most lucrative activities of international banks operating out of the City of London.

A brief sentence in the Chancellor's budget speech set bankers trembling with consternation when he promised legislation to end excessive exploitation by banks of double taxation relief.

Depending on how the legislation was formulated, bankers argued that it would not only deprive them of the opportunity to do attractive business—it would also drive such business to other banking centres like New York and undermine British relations with some long-standing customers such as Malaysia and India.

On the other side of the coin, the Inland Revenue argued that existing rules allowed banks to make loans at below market rates and pocket an unfair subsidy from the taxpayer in the form of a credit against corporation tax.

Two forms of double taxation relief were in question. The first concerned the broad area of interest withholding tax paid abroad on a loan to a foreign entity.

For example, a Brazilian electric utility might borrow $100m at an interest rate of 10 per cent for a year. The total interest due would be $10m, but Brazil charges interest withholding tax at a rate of 25 per cent, leaving a net interest available to lenders of only $7.5m.

In practice Brazilian borrowers have often paid the withholding tax themselves and paid the banks the full interest owed. They receive a tax receipt from the Brazilian authorities for the withholding tax which is also passed on to the banks.

The banks could use this tax receipt as an offset against their own corporation tax liabilities, so that in the example quoted above the return would be $10m of net interest plus a tax credit in an amount of about $2.5m (this figure would have to take into account the effect of grossing up the notional interest rate).

The Inland Revenue claimed that banks were able to use this facility as a means of claiming tax deductions on profits that actually arose from other forms of business. It was particularly inappropriate in cases where

THE EUROMARKETS AND UK TAXATION

PETER MONTAGNON

the foreign borrower was able to reclaim the withholding tax that had supposedly been paid to its fiscal authority.

The specific form of tax relief that was targeted in the proposed legislation was so-called tax-spared loans. These work in a similar way to the example outlined above, with the big difference that a double taxation agreement with Britain formally exempts the borrower from paying withholding tax on its foreign loans.

The original aim of such agreements was to encourage lending and investment flows into developing countries, particularly Commonwealth countries such as Malaysia and India.

They meant that British banks were able to claim a tax credit against tax that was never levied abroad. As a result loan margins on these deals had fallen to absurd depths and were typically only 1/32 per cent.

While admitting that the system had been open to abuse, bankers argued that changing it would force them to renegotiate some existing loan agreements. It was a particularly sensitive issue in that Malaysia had been a major beneficiary of tax spared loans and was at that time in any case distinctly cool in its relations with Britain.

The banks managed to mobilise considerable publicity for an issue as highly technical as double taxation. They also enlisted the support of the Foreign Office and Departm[ent] of Trade, and in the end a mu[ch] less harsh compromise w[as] worked out.

Under the comprom[ise] interest withholding tax p[aid] abroad was only eligible [for] relief up to 15 per cent of interest received. This mea[ns] no change at all in most ca[ses] as few countries with [the] notable exception of Bra[zil] charge a higher rate.

In the case of tax-spa[red] credits, the UK bank's reve[nue] for tax purposes was to [be] grossed up by the amount [of] tax forgone by the fore[ign] government. Effectively t[his] was splitting the differe[nce] between the bank and [the] Revenue. Tax sparing was s[till] to be allowed and will still [be] lucrative, although less so t[han] before.

By the summer Malaysia w[as] back in the market for [tax] spared credits. Part of [a] $1.1bn jumbo-eurocredit w[as] structured in this way, [and] what had initially seemed to [be] a serious threat to the C[ity] turned out to be little m[ore] than a storm in a tea-cup.

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BENDIX AND MARTIN MARIETTA

The battle that got out of hand

By Richard Lambert in New York

THE STORY SO FAR:

IN THE takeover battle between Bendix and Martin Marietta, the fate of two important American companies has now been decided after a lurid soap opera, complete with cliffhangers, boardroom dramas, court scenes, and even a spot of romantic interest.

Business considerations appear to have taken second place amid the mighty clash of management egos, and the spectacle of two large companies trying to swallow each other up has pulled in audiences from well beyond the confines of Wall Street.

Heading the list of dramatis personae is abrasive Bill Agee, 44, the chairman of Bendix. He is already a media figure as a result of his much publicised romance with lovely Mary Cunningham, a former Bendix executive who is now his wife. Agee has long yearned to make a big jump into high technology, but only a few months earlier had been cruelly rebuffed by RCA's chairman, Thornton Bradshaw, with what by now must rank as one of the most quoted jibes of the year: "Mr Agee has not demonstrated the ability to manage his own affairs, let alone someone else's."

Bendix decides that Martin Marietta is the answer to its dreams but reckons without the hostility of its recently appointed chief executive, leathery ex-sailor Thomas Pownall. He quickly shows his feelings by refusing to accept Agee's courtesy phone call announcing the bid, and retaliates to the takeover with everything short of one of his company's own Pershing missiles.

Marietta makes its own counter offer for Bendix, and turns as well for help to the wily Harry Gray, chairman of United Technologies who is known as the takeover king of Wall Street. He makes his own bid for Bendix.

All sides fire law suits at each other: "A pox on both your houses," exclaims one Federal court judge, misquoting the Bard in his exasperation. Agee flits from meeting to meeting, frequently accompanied by his wife who by now has been built up in the Press as his eminence blonde. Bendix buys 70 per cent of Marietta's shares but fails to dislodge its board. Marietta acquires over 40 per cent of Bendix's shares, and promises to keep on buying.

With both sides bidding at well above book values, it appears that the two companies could be merged into a financial cripple, with enormous debts, a much reduced tangible asset base, and a warring management.

Faced with possible disaster, Bendix turns for help to Allied Corporation, run by Harry Gray's former lieutenant Ed Hennessy (could he be trying to get his own back?) Four top non-executive directors of Bendix resign after a stormy board meeting, but following much coming and going Allied eventually agrees to a deal late last Friday night.

BENDIX

BENDIX (1981 sales: $4.6bn, net income from continuing operations). Serves three major markets—aerospace electronics, covering products like aircraft wheels and brakes, airborne radar systems, and guidance and control equipment; automotive products, like brake and steering systems, and engine controls; and industrial products, such as material handling equipment, machine tools and abrasive products. Recently it has been redeploying its assets in preparation for new investment in high technology industries, and by the end of 1981 it had converted some $500m of low return assets into a liquid portfolio ready for the big takeover. It has a sound record, considering some of the difficult businesses in which it is engaged.

MARTIN MARIETTA

MARTIN MARIETTA (1981 sales $3.3bn, net income $200m). The result of a merger in 1961 between the Martin Aerospace business and a diversified holding company, American-Marietta, the company has deliberately kept itself out of the headlines in the past, and has steered clear of contested takeover bids. The jewel in its portfolio is the aerospace side, accounting for two-fifths of profits in 1981 and a lot more in 1982. Among other projects, it is deeply involved in work on the space shuttle, the MX missile, the Titan space launch vehicle and the Pershing missile programme. Its other main businesses are cement, aggregates, chemicals and aluminium.

ALLIED CORPORATION

ALLIED CORPORATION (1981 sales $6.4bn, net income $289m). Currently makes most of its money out of oil and gas, and is also involved in fibres and plastics, chemicals, electronics, health and scientific products. Its business has been reshaped since Mr Ed Hennessy took over in 1979, with over a dozen activities sold or discontinued, and more than a score of acquisitions. The biggest of these until now have been the Bunker Ramo electrical and electronic business, Supron Energy and Fisher Scientific. Its return on equity went over 16 per cent in 1981. But profits are sliding down this year.

UNITED TECHNOLOGIES

UNITED TECHNOLOGIES (sales $13.8bn, net income $458m). Designs and builds a broad range of technological products, including aircraft jet engines (Pratt and Whitney), helicopters (Sikorsky), semiconductor integrated circuits (Mostek) and elevators and escalators (Otis). It has enough businesses in common with Bendix to have prompted the Justice Department to ask for more information about its proposed offer, and the general assumption is that United has quietly slipped away from the battlefield. It said over the weekend that it would reserve its position until it had studied the details of Allied's proposals.

THIS WEEKEND, the main characters have been licking their wounds or counting their booty and reflecting on the lessons to be learned from this extraordinary affair.

Bendix, far from coming out on top of a new technological empire, is to become a subsidiary of a not very glamorous conglomerate. Mr Agee's star has waned somewhat. He has received much criticism for his bid tactics—as Mr Hennessy put it on Saturday, not all that tactfully, the idea was good but "along the way he received some bad advice."

Already there is speculation about the future relationship of the two men. Mr Agee will keep his present titles at Bendix and become President of Allied. But Mr Hennessy has gone out of his way to stress that this does not mean he will be running the show. "Looking after Bendix is a full-time job," he says firmly.

Down in Bethesda, Maryland, the champagne corks have been popping at Marietta's headquarters. But its victory, if not pyrrhic, is certainly going to be costly. Marietta will swap all of its shares in Bendix for some of Bendix's shares in Marietta, which will go into its treasury and leave it with a much reduced outstanding share capital. As the new parent of Bendix, Allied will end up with 39 per cent of Marietta's smaller equity capital, and has signed a ten-year standstill agreement providing for certain restrictions on its rights to vote, acquire and sell Marietta stock.

Much more important, Marietta's once sound balance sheet has been transformed. Total debt is likely to represent as much as 80 per cent of capital involved as a result of its share buying splurge, a figure which Mr Pownall describes as "substantial but manageable."

He says that even if there is only a modest improvement in the economy next year, pro forma earnings should exceed $5 a share, compared with the Bendix bid worth $48 a share. But he also makes it clear that Marietta will be looking for ways of increasing its capital base. Shareholders who remained loyal to the cause will probably have to show much patience.

Allied Corporation also admits that it will have to restructure its balance sheet as a result of its role in the affair. Its debt stands to rise from around 23 per cent of total capital to over 40 per cent, and the company has already been deluged with phone calls from predators seeking to acquire bits of both businesses.

Who are the outright winners? Bendix shareholders have done well, having been paid $75 a share and more for equity that was selling for as little as $45 in the past 12 months. Mr Harry Gray has had some inexpensive amusement: Marietta is expected to pay the expenses which he incurred in making his offer.

The most obvious gainers are to be found on Wall Street. Arbitrageurs have made a lot of money. The fees to the three investment banks advising Allied and Bendix are likely, according to Mr Hennessy, to reach $15m. Throw in Marietta's costs plus all those legal fees, and you probably would not get much change out of $20m.

There are some morals to be drawn from all this, and none of them reflect well on the arguments for allowing the market a completely free hand in determining the outcome of takeover bids.

In the U.S. investment bankers are paid very large sums to tell managers what they most want to hear—that they are irreplaceable. This leads to the use of some extreme tactics in takeovers. One is the so-called "scorched earth strategy" in which companies sell off their prize assets in order to make themselves less attractive to an unwelcome bidder.

Another is the "sweetheart deal," in which a company under attack agrees to sell one of its plums to a friendly suitor whatever the outcome of the overall battle, again in order to discourage hostile bandits.

Bendix made just such a deal with Allied at one stage in the recent struggle. And both Bendix and Marietta tied "golden parachutes" to their top executives during the course of the affair to ensure that if any of them did have to quit, they would not leave the field empty handed.

For its part, Marietta resorted to the increasingly popular "Pacman ploy," named after the video game in which your little monster has to swallow up all the other little monsters in order to stop them gobbling up him. What this means in the takeover game is that if company A bids for company B, then company B turns right round and bids for company A.

Yet this has not just been a story of warring personalities. An important feature of the U.S. takeover scene is that bidders are allowed to pay different prices for the same class of security. The frequent result is that a company will make an attractive cash offer for a controlling block of an intended victim's shares, which has to be accepted or rejected in a limited period of time. At the same moment, it promises to offer a much less attractive package of its own securities in exchange for the remaining minority shares at some future date.

The idea is to stampede shareholders into accepting the limited cash offer, and both Bendix and Marietta used this ploy in their rival bids for each other. In such circumstances, defending companies have no time to argue the merits of their case, and instead are tempted to go to extreme lengths in an effort to seize the initiative.

The consequence was that neither company in the battle made any serious attempt to justify its position in detail to its shareholders or to explain why offers which appeared to be well in excess of recent market prices should be rejected.

Critics of the London takeover panel might take note of all this. Such an affair could not have happened in the UK, where it would have breached perhaps five of the 14 general principles of the City takeover code. This does not have the force of law, but it does have the ultimate backing of the Bank of England.

Among the more important principles of the code is a requirement that all holders of the same class of shares should be treated equally, and given enough time and information to form an independent judgement. Directors of companies that are under attack may not take steps to frustrate a takeover bid without first securing the approval of their shareholders.

It is rather ironic that the City of London, with its pathological fears of a statutory securities and exchange commission, should have much stricter codes of conduct in these matters than apply in the U.S. financial markets. In broad terms, the U.S. Securities and Exchange Commission is concerned with matters of disclosure, whereas the UK takeover panel is involved in detailed supervision of bid tactics.

One of the few ways in which to enforce the concept of fairness in a Wall Street takeover is through the courts—and at one stage in the recent affray, seven simultaneous court actions were under way.

The whole affair has not so far produced much in the way of a political backlash. But it is unlikely to be included among the great moments in the history of capitalism.

Lombard

Another road to serfdom

BY Michael Dixon

IF TELEVISED discussions on important issues are intended to make people think, they certainly succeed in my case. The only trouble is that, however much the topics of such programmes vary, they tend to leave me thinking the selfsame thing.

It is that their producers have an uncanny talent for choosing as their expert spokesmen people who, if not daft enough in their own right to believe what they are saying, must be convinced that everyone else is.

A prime example was supplied during BBC 2's Newsnight programme last week by Mr Rodney Bickerstaffe, leader of the National Union of Public Employees. His drift was that the Government's refusal of extra money to the health workers is the reverse of economic. While strikes cost Britain 20m working days in 1979, he said, illness cost 300m. More spending on the health service would therefore not just stop weakening the economy through strikes, but strengthen it greatly by improving the nation's health.

Now Mr Bickerstaffe seems a bright enough lad. It is hard to believe that he really thinks a health service necessarily produces health in proportion to its cost, any more than a union produces unity. The only plausible reason I can find for his advancing such an asinine argument is that he feels that television viewers, or at least the large majority of them, are firm in the faith that increasing the expense of something called the health service, and particularly the pay of its staff, will inevitably make the population not only healthier, but more productive.

The same assumption might also be the reason why Mr Bickerstaffe's canard was not instantly corrected by the two other men taking part in the discussion, who did not look dim or naive either. For the belief that the audience is ignorant can work in two ways. As well as licensing some people to make absurd statements, it can deter others from openly refuting them, for fear that their necessarily more complex arguments will not be understood.

The result would seem to be an in-built tendency towards oversimplification in the broadcast discussions that influence many, if not most, citizens' views on ever more complicated matters of public importance.

The process is far from a new phenomenon, of course. Among the numerous issues which it has been obscuring for years is the debate about education. Take, for example, the question of class-sizes. An overwhelming majority of the public still take it as self-evident that smaller classes mean better education.

But none of the copious research carried out in various countries over the past umpteen years has supported the belief that children taught in small classes have a better educational attainment than those schooled in bigger groups. If anything, the research results suggest the opposite, although not to an extent justifying any conclusion more positive than that the quality of education is *not simply related to the number of teachers available.*

It is possible, but no more, that the decisive factor is how good or bad an individual teacher is at teaching, and that the good teachers tend on the whole to be put in charge of bigger classes. If so, the quality of our education might be much improved simply by sacking all the bad teachers employed now, and not replacing them. For all we know, something similar might apply to the health service.

But I have yet to see such uncertainties and complexities spelt out in peak-hour discussion programmes on television — perhaps because their producers, too, are convinced that the viewers are stupid.

The danger of the apparently in-built tendency to oversimplify is not just that the continuing rule of false beliefs over public debate bedevils the prospect of real improvements in our social institutions. We would be wise to remember Hayek's dictum that any society which systematically misinforms its citizens is already well along the road to serfdom.

Letters to the Editor

Quantifying costs and benefits of foreign aid

From Mr J. Dingle

Sir,—Your leader September 21 on the value of British aid reiterates a debate which has been going on for some time without doing much more than reinforcing preconceptions. The reason is that until recently there has been little attempt to quantify costs and benefits.

In the case of aid for industrial projects, it seems entirely right for the Government to be "giving greater weight to political, industrial and commercial considerations alongside our basic development objectives." The output from these projects when commissioned often changes profoundly the markets open to our own manufacturers. And, while it is hardly surprising that aided projects should spin off benefits to our leading contractors—nothing wrong in that—it is far from clear that the chain of sub-contractors who supply goods and services which make up the greater part of the project value, and which contribute most to the economy at large, also benefit proportionally.

There is therefore a good deal to be said for the Government's point of view, in as much as it shows willingness to be more discriminating in its application of aid. But nothing very useful can be said until we know unambiguously what is the net benefit to us.

The World Bank claims in its latest annual report that aided industrial projects do, typically, show a return on investment close to that forecast in feasibility studies. Setting aside some doubts about the methodology of these studies, we can fairly assume this to mean that the recipients of aid are content that these projects are worthwhile. The basic development objective—to support recipients' reasonable aims to establish a practical industrial platform for their economies—may be taken as satisfied, at least in principle.

What is not at all clear is the outcome for us as aid donors. It is true that the apparent added value accruing from export projects considerably exceeds the cost of aid. It is probable, however, that the cost of aid relative to the apparent added value created by aided projects is increasing. But the apparent added value is subject to a number of "leakages" which, having in mind cost trends, may seriously affect "political, industrial and commercial considerations" here at home: and, consequently, our capacity to mobilise aid effectively.

If further discussion is to achieve anything more fruitful than merely to titillate demagogues we need to understand a great deal more about these "leakages," their causes and inter-relations, as well as about the positive components of value in aided projects. So it would be as well if efforts to restructure aid policy were restrained until our understanding has some objective basis.

I. Dingle,
Suite 1, Harcourt House,
19a Cavendish Square, W1.

From the Chairman
Centre for World
Development Education

Sir,—May I congratulate you on your excellent leading article on "The value of aid" (September 21). From my own experience I would strongly endorse what you say about the need for a clearer appreciation that "an efficiently run aid programme, directed to the needs of the developing countries, is in Britain's best interests."

A key factor in ensuring efficiency is the use of methods which enable individual people to make their maximum contribution to the process of change. Working as director of voluntary service overseas I have become convinced that the first priority in development is the self-confidence of the people themselves in developing countries. Through its small share in the aid programme VSO is able to contribute to this, by sending experienced and qualified people from Britain to work alongside their counterparts, passing on a whole range of relevant skills. The principle involved is one which needs to be taken into account in every decision made about the distribution of aid. Without the energies, skills and enterprises of people the problems cannot be solved.

You also expressed concern that spending on educating the public on development issues is being phased out. We are acutely aware of the effects of this policy. Over the past two years (partly as a result of the Brandt report) interest in Britain's role in world development has been expressed in sections of the community where it had never previously existed; but it has been impossible to follow up many of the educational opportunities created by this new interest because of a sheer lack of resources. And yet it is vital for the future of Britain, the prototype of a nation dependent on the world for its survival, that our people should understand the realities of the changing world and our own role in the development process.

What has become known as "development education" should be central to public policy as well as to personal concern.

Frank Judd.
128 Buckingham Palace Road SW1

Economic viewpoint

From Mr M. Taylor

Sir,—Samuel Brittan (Economic Viewpoint, September 16) *describes his analysis* of the labour market as "standard elementary economics and common sense" which, at least prima facie, is true. But a little knowledge is a dangerous thing.

Mr Brittan's analysis is indeed in line with the standard neo-classical synthesis which has dominated post-war macro-economics, arguing that in the absence of pathological quirks such as rigid interest rates (the "liquidity trap") unemployment must be due to institutional rigidities in the labour market—i.e. trades unions.

Unfortunately, however, this approach is partial equilibrium analysis in disguise and does not withstand closer scrutiny in a more general setting, as witnessed by the "Keynesian reappraisal" literature.

The fundamental point is this: bananas cannot be compared to people. Why? Because bananas are economic goods, not economic agents and the difference is crucial. In general, an unemployed worker will reduce his demand for goods and money below his levels of demand when employed, thereby creating downward pressure on prices and further depressing the demand for labour: a vicious circle. An unwanted banana has no comparable effect on the economy. Mr Brittan thus ignores the impact of market imbalances on other markets—the crux of the Keynesian reappraisal.

Mr Brittan then compounds his errors by introducing the quantity equation of money and claiming that government can only influence monetary demand—the MV side of the equation. This is in general true only if the authorities drop bundles of money on to the economy out of helicopters. In general, changes in the money supply will affect real variables in the economy through the government budget constraint and will have, other things equal, the familiar Keynesian multiplier effects.

Fortunately, macroeconomics as a discipline is becoming increasingly rigorous and moving away from the ad hocery of which this article is a good example.

Mark P. Taylor,
Birkbeck College,
Malet Street, WC1.

Paying for an orchestra

From the Vice-President, European Parliament

Sir,—Your "Men and Matters" item (September 16) about the European Community Youth Orchestra recalls Oscar Wilde's definition of a cynic: one who sees the price of everything and the value of nothing.

So far as providing employment and experience for young musicians is concerned, the Youth Orchestra's value is unparalleled. Each year 140 young musicians from the ten European Community countries are selected from about 3,000 applicants (ages from 14 to 22) to play together under such eminent conductors as Claudio Abbado and Sir Georg Solti. Besides the obvious international understanding and harmony they inspire in each other and in those who listen to them, the experience of playing in an orchestra of such a high standard is invaluable for their professional careers. Since the orchestra's inception six years ago, more than 150 of its members have found full-time orchestral employment.

As to your remarks about the cost of the evening, the £39,000 (not £65,000), including travelling and hotel expenses for 112 players coming from 10 different countries, represents certainly no more than one would expect to pay for an orchestra. The remaining £14,000 spent on a reception for 1,800 people including many members of staff who have served the Parliament since its beginning is much less than many companies spend on their annual parties for employees.

In conclusion, for a newspaper with such excellent European credentials, I cannot help feeling that the article was sadly parochial.

The Baroness Elles, MEP,
House of Lords, SW1.

UK COMPANY NEWS

Ciro forecasts £400,000 as shares go on offer

CIRO, which retails imitation and real jewellery in the U.S. and Europe, publishes its prospectus today for its offer for sale of 60 per cent of its shares. At 80p a share, the offer capitalises Ciro at £2.49m.

The company, whose shares will be dealt on the Unlisted Securities Market, has been a subsidiary of Howard and Wyndham, a UK publishing group, since 1976. Following the offer for sale, H & W will hold 40 per cent of Ciro's equity. The parent company, which has reported losses since 1980, will receive about £1m from the sale of Ciro's shares.

Both sales and pre-tax profits have increased over the last four years at Ciro. In the year ended June 1978, sales were £4.4m and pre-tax profits were £163,000, while in the year ended last December, sales had reached £6.5m and pre-tax profits hit £366,000. For the current year, the company forecasts pre-tax profits of not less than £400,000.

For the year ending December 1983 a total dividend of 3.92p is forecast. Net tangible assets of the company are currently £1.58m or 50.6p per share.

The company will receive £366,000 from the offer for sale which will be applied toward repaying borrowing to the parent company. A further £300,000 will remain outstanding as an interest-free unsecured loan repayable to H & W in 1986.

● comment

The Ciro flotation is more of an expedience for Howard & Wyndham than an exciting investment opportunity. The troubled parent now has a fresh £1m with which to sort itself out and H & W's shares, at 7½p or less since January, have nothing more to lose by Ciro's flotation. Furthermore, with 60 per cent of Ciro on offer, there will be no scarcity premium when the new retailing shares start trading. Ciro's counterparts in the jewellery sector are hardly humming these days given the depressed trading environment; yields for the sector range from 6.8 per cent all the way to a shaky 16 per cent. Ciro's prospective yield of 7 per cent is asking for a bit more than its good, but not brilliant, trading record suggests. Still, its glamorous locations in New York City, Beverly Hills and Houston are attractive. On a fully-taxed basis, the prospective p/e is 13 at the offer price of 80p, which indicates that the shares are fully valued.

Problems for Lloyds Bank over Hong Kong property loans

Lloyds Bank has confirmed that the Hong Kong branch of Lloyds Bank International is experiencing problems with property loans to one of its customers.

The bank was unable to give any indication yesterday of the scale of any losses of its Hong Kong operation, but said that "it seems like an internal matter." The bank indicated that there was no question of its making any statement to the stock exchange. "Suggestions that there might have to be a stock exchange statement exaggerate the importance of the matter," said a spokesman.

An inspector from the bank's London headquarters has flown out to Hong Kong to conduct an investigation. It is also understood that a fairly senior official in LBI's Hong Kong branch has resigned.

Over the last few years, bank lending for the Hong Kong property sector has been booming, but property values have fallen by more than a third in some cases from their recent peak, and there have been growing fears that some banks might run into difficulties with some of their property related lending in Hong Kong.

Some of the loans are no longer fully covered by underlying property values, and unlet offices mean that customers are finding it difficult to repay the banks from their own cash flow.

LBI has been one of the most aggressive UK banks in the international arena and has been expanding rapidly in the Far East and Pacific basin.

Telefusion looks to video boom

THE British market for the rental and retail of video recorders is one of the strongest in the world, says Mr J. N. Wilkinson, chairman of Telefusion, the radio and television group, in his annual statement. And he says the company can look forward to several years of continued growth.

While there has been an inevitable fall in prices in new video products, he believes that there will, from now on, be a trend towards more features being included for the same money. "We are confident," he adds, "that our investment in video recorders will prove profitable."

The group is paying much attention to the development of its telefusion and television audio, maintenance service operations, and a major effort is being put into training to ensure that its staff keep pace with the latest developments and technology.

He says the colour television market has also been very strong and he expects the commencement, in November, of the fourth television channel will assist in maintaining the colour television market, especially for second sets.

As a matter of prudence, he says the company is now depreciating video recorders over a reduced period of five years. Nevertheless, he hopes that their earnings life will be longer than five years with additional benefits to future profits.

MINING NEWS

CGF signs Petromin gold project contract

By George Milling-Stanley

LONDON'S Consolidated Gold Fields has signed an interim management contract with Saudi Arabia's state-owned Petroleum and Mineral Organisation (Petromin) to develop the Mahd adh Dhahab gold project.

Mahd adh Dhahab is an old gold mine, operated by the Saudis between 1939 and 1954. It lies on an ancient caravan route 170 miles north-east of the Red Sea port of Jeddah.

All of the equity in the project will be held by Petromin.

The contract provides for Gold Fields Mahd adh Dhahab (GFMAD), a wholly-owned subsidiary of the London group, to complete the planning of the project over the next 12 months. This will include the production of a detailed viability study and the preparation of designs for the mine, including ore treatment, water and power supply, mine buildings and a township.

Petromin has already expressed its intention of concluding a contract with GFMAD for the construction and operation of the mine. In its turn, GFMAD said it hopes to undertake further mineral development projects in Saudi Arabia.

Gold Fields' London office said that it will take about four years to bring Mahd adh Dhabab to production. Ore reserves established so far would be sufficient to give the mine a life of 10 years with an annual output of 100,000 ounces of gold, a little more than was envisaged two years ago when Gold Fields last reported in detail on the deposit. There will also be silver, copper and zinc by-products.

Canadian round-up

A SECOND-QUARTER loss of C$7.1m (£3.4m) lifted the deficit of Canada's Northgate Exploration for the first half of 1982 to C$11.9m but the company is expected to show a much smaller loss for the third quarter.

Northgate's copper-gold mines in the Chibougamau district of north-western Quebec have received a sharp boost from the recent substantial rise in the gold price, reports John Soganich from Toronto.

The group plans to produce 58,000 oz of gold this year, along with 28.6m lb of copper, 9.9m lb of zinc and 223,000 oz of silver.

* * *

Cordex IV Syndicate, a Canadia mining group, has confirmed the existence of a gold orebody in Nevada amenable to mining by open-pit methods.

The company is financed in equal proportions by Dome Mines, Lacana Mining and Rayrock Resources.

Heap leach testing now under way is reported to indicate a satisfactory recovery grade, but no details are available. Engineering studies to be made will include pit design and the determination of te gold price required to warrant the installation of a milling plant.

* * *

The enetry of a large number of mainly junior exporation companies into the Hemlo district of north-western Quebec seems likely to lead to the presence of as many as 20 separate drilling programmes by next summer.

The attraction lies in three gold deposits which have already been established in te area. Teck Corporation is examining the possibilities of two deposits outlined by International Corona Resources, while Long Lac Mineral Exploration, part of the Little Long Lac Gold Mines group, is pushing ahead with studies on a 1.8m-ton orebody with an average grade of 5.4 grams of gold per ton.

Yorkshire Fine in receivership

Mr Michael Arnold, of Arthur Young McClelland Moores & Co. has been appointed receiver to Yorkshire Fine, the woollen yarn spinner and wall coverings manufacturer.

As a result of a "complete and urgent review" of the group, following the appointment of Mr Philip Sykes as chairman, the directors concluded that while the recently acquired Sykes Booth & Co. continues to be profitable, "the group as a whole can no longer continue to trade."

Mr Arnold is conducting an immediate review of the group's various operations with a view to seeking buyers for the whole or individual units of the group as going concerns.

The directors say it is not clear at present what the outcome of the receivership will be and Mr Arnold will be issuing a statement in due course.

FT Share Information

The following security has been added to the Share Information Service:—

Multitone Electronics (Section: Electricals).

BREMAR INTL.

The board of Bremar International says that Bremar Holdings has placed 282,000 shares 5.46 per cent of Bremar Trust with unconnected institutions and individuals at 58p.

As a result of this placing, Bremar International and its subsidiaries are interested in 2,286,000 shares (44.29 per cent) of Bremar Trust.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
‡‡	F.P.	—	68½	65	Antofagasta Hldgs£1	65	.....	7.0	3.6	15.4	2.0
—	F.P.	—	24	22	Beradin Holdings 5p	23	.....	0.65	1.3	4.0	24.7
	F.P.	—	2	6½	✠Berkeley H.H.Invl 0p	6½	.....	—	—	—	—
35	F.P.	7.9	73	64	✠Electrolates 10p	65	+2	—	—	—	—
101	F.P.	—	99	92	✠Brevills Europe 10p	95	+3	u4.9	2.2	7.4	9.0
135	F.P.	10.9	45	38	✠Coleman Milne 10p	44xd	.....	u1.3	3.2	4.9	7.1
‡‡	F.P.	—	31	27	✠Delmar Group	27	.....	u1.68	2.4	8.9	6.7
—	F.P.	29/11	106	87	✠Ecobric New Ord£1	105	.....	bd10.5	1.8	14.3	4.7
—	F.P.	—	63	55	✠Do. Defd	60	.....	—	—	—	—
80	F.P.	24.9	64	48	✠Hudson Pet. Int.5p	60	+2	—	—	—	—
§110	F.P.	17.9	182	159	✠Int'europeTech.20p	167	.....	u4.0	1.8	3.4	23.4
375	F.P.	29.9	425	368	Mercantile Hse. New.	420	−5	14.0	2.2	4.8	11.0
—	F.P.	—	25	20	RIT & NorthernWar'ts	24	.....	—	—	—	—
—	F.P.	—	34	20	Riv Plate & Gen.Wrrts	21	.....	—	—	—	—
—	F.P.	—	15	10	✠Sheraton Secs 10p	10	.....	—	—	—	—
—	F.P.	—	24	22	Twinlock 10p	24	.....	—	—	—	10.1

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
‡‡	F.P.	—	85p	93p	Anglo Indonesian 9½% Cnv. Com.Pref.	95p	.....
‡‡	F.P.	—	60p	52p	Antofagasta 3.5% Pref.(£1)	53p	.....
88.528	£20	28/10	31½	21¼	Australia 13½% Ln. 2010	31	−⅛
97.504	£15	4/3	26	24	SOC 12½% Uns. Ln. 2012-17	25½	−¼
105	F.P.	—	106½	105	Credit National Br. 13½% 1989	106¼	.....
97.058	£25	6/12	32	19½	Electricite de France 12½% Ln. 2008	30¼	−½
56.534	£25	—	26½	24½	Hydro Quebec 12¾% Ln. 2015	25⅜	−⅛
97.705	£25	15.2	27½	25	MEPC 12% Fst. Mort. Deb. 2017	27½	−⅛
100	F.P.	—	100¼	99½	Nationwide Bdg. Soc. 11⅞% (15/3/83)	100¼	.....
100	F.P.	—	100¼	99¾	Do. Do. 11⅛% (30/3/83)	100	.....
99.925	£25	—	25½	25¼	Std Chard 12½ Sub Ord Uns Ln 2002/7	25¼	.....
—	F.P.	—	94	93	Twinlock 15% Uns. Ln.	94	.....

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or −
400	F.P.	13/9	8/10	510	468	Eurotherm Int. 10p	510	+2
21	Nil	11/10	19/11	10½pm	5pm	Munton Bros. 10p	10½pm	.....
12½	Nil	—	—	¼pm	½pm	N.M.C. Invs. 12½p	¼pm	.....
1	F.P.	22/9	19/10	2	1½	Spong	2	.....
175	Nil	5/10	11/11	26pm	10pm	Tricentrol	18pm	−1
25	Nil	6/10	19/11	4pm	3½pm	U.U. Textiles	3¼pm	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. r Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividends and yield based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. ○ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. shares. ☦ Issued free as an entitlement to ordinary holders.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Percy Bilton, A. & C. Black, Finlay Packaging, Feseco Minsep, Glossop, Jersey Electricity, Macdonald Martin Distilleries, Metalrax, Planet, Travis and Arnold.

Finals:— Galliford, Link House Publications, Parker-Knoll.

FUTURE DATES

Interims:—

Bentalls	Oct 7
Freemans	Oct 4
Gamar Booth	Sept 29
Silkolene Lubricants	Oct 8
Stag Furniture	Oct 8
Watts, Blake, Bearne	Oct 1

Finals:—

Bryant	Oct 18
Compco	Sept 28
Cope Allman International	Oct 5
Dixon (David)	Sept 30
Footwear Industry Investments	Oct 4
Green (R.) Properties	Oct 11
Lister	Sept 30
London Shop Property Trust	Sept 30
Sharpe (Charles)	Sept 30

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN FUJITSU LIMITED

NOTICE IS HEREBY GIVEN that subject to shareholders' approval a cash dividend will be paid to shareholders of record date September 30 1982.

NOTICE IS ALSO GIVEN that at a meeting of the Board of Directors of Fujitsu Limited, held on September 6 1982 it was resolved that a free distribution of shares be made to shareholders in the ratio of 0.05 share for each 1 common share of Y50 each (1 new for each 20 old) as of record date September 30 1982.

Furthermore, it has been declared that the shares will be traded ex-rights and ex-dividend on the Japanese Stock Exchanges with effect from September 27, 1982.

Coupon No. 2 will be used for the collection of the dividend and Coupon No. 3 will be used for the collection of the free shares. A further notice will be published as soon as possible with details of the amount of the dividend and date of distribution of the free shares.

KLEINWORT, BENSON LIMITED, London Depositary

September 27 1982

THE TRING HALL USM INDEX
128.8 (−0.2)
Close of business 24/9/82
Tel.: 01-638 1591
BASE DATE 10/11/80 100

LADBROKE INDEX
579-584 (+3)

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Adwest	Sept 30	Final 5.4
Bank of Ireland	Nov 5	Interim 8.0
Bejam	Oct 6	Final 1.5
*Bell (A.)	Oct 6	Final 3.108
*Bilton (P.)	Sept 27	Interim 2.5
*Bewthorpe	Oct 6	Interim 1.521
*Brent Chem.	Oct 4	Interim 0.6
British Car Auction	Oct 27	Final 2.0
*British Home Stores	Oct 20	Interim 1.75
Brooke Bond	Oct 27	Final 2.655
*Cape Inds	Oct 5	Interim 3.9
Capper-Neill	Nov 6	Interim 2.1
Coats Patons	Oct 29	Interim 1.4
Combined Eng. Stores	Oct 7	Interim 1.49
Currys	Oct 12	Interim 0.75
Davies & Newman	Oct 30	Interim 3.08
Debenhams	Oct 9	Interim 2.041
Ductile Steels	Oct 20	Final 4.5
*Freemans	Oct 4	Interim 1.9
Gerrard and National	Oct 19	Interim 5.0
Gill and Duffus	Oct 21	Interim 3.8
Glaxo	Oct 12	Final 7.5
Grattan	Oct 1	Interim 1.886
Great Portland Estates	Nov 3	Interim 1.0
Hambro Life	Oct 7	Interim 3.5
Hammerson Property	Nov 5	Interim 3.0
*Harris Queensway	Oct 12	Interim 1.33
Hawker Siddeley	Oct 21	Interim 3.7
Hepworth (J.)	Oct 30	Final 3.0
Hewden-Stuart	Oct 6	Interim 0.475
*Higgs & Hill	Oct 12	Interim 2.5
*House of Fraser	Sept 29	Interim 2.0
*Ibstock Johnsen	Oct 21	Interim 1.5

	Date	Announcement last year
*Laing (J.)	Oct 1	Interim 1
London Brick	Oct 21	Interim 1.
*Lasmo	Sept 28	Interim 82
London & Northern	Oct 28	Interim 1.
Manganese Bronze	Nov 4	Final 2.17
Marks and Spencer	Oct 15	Interim 1.
Miner	Oct 8	Interim 3.
Mowlem (John)	Oct 15	Interim 2.
News Intnl.	Oct 15	Final 3.45
Peachey Property	Oct 20	Final 3.0
Press (Wm.)	Oct 29	Interim 0.
*RMC	Sept 29	Interim 3.
Reed Intl.	Nov 3	Interim 5.
Ruberoid	Oct 8	Interim 1.
*Rugby Portland Cement	Oct 4	Interim 2.
Sage Hols.	Oct 20	Final 8.0
Sainsbury (J.)	Nov 4	Interim 3.
Samuel Props	Nov 5	Final 3.1
*Scottish Metro. Prop.	Oct 8	Final 2.0
*Senior Eng.	Oct 12	Interim 0.
Simpson (S.)	Oct 29	Final 2.0
*Sketchley	Nov 18	Interim 3.
*Smith St. Aubyn	Oct 20	Interim 4.
*Telephone Rentals	Oct 20	Interim 4.
Tozer Kemsley	Nov. 3	Interim 0.
*Travis and Arnold	Sept 27	Interim d
*United Newspapers	Sept 30	Interim 4.
UBM	Oct 30	Interim 1.
*Wimpey (George)	Sept 30	Interim 0.
Wood Hall Trust	Oct 30	Final 8.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	10½%	Grindlays Bank	‡10½%
Allied Irish Bank	10½%	■ Guinness Mahon	10½%
Amro Bank	10½%	■ Hambros Bank	10½%
Henry Ansbacher	10½%	Hargrave Secs. Ltd.	a10½%
Arbuthnot Latham	10½%	Heritable & Gen. Trust	10½%
Associates Cap. Corp.	11 %	■ Hill Samuel	§10½%
Banco de Bilbao	10½%	C. Hoare & Co.	†10½%
BCCI	10½%	Hongkong & Shanghai	10½%
Bank Hapoalim BM	10½%	Kingsnorth Trust Ltd.	12 %
Bank of Ireland	10½%	Knowsley & Co. Ltd.	11 %
Bank Leumi (UK) plc	10½%	Lloyds Bank	a10½%
Bank of Cyprus	10½%	Mallinhall Limited	10½%
Bank Street Sec. Ltd.	12 %	Edward Manson & Co.	12 %
Bank of N.S.W.	10½%	Midland Bank	a10½%
Banque Belge Ltd.	10½%	■ Samuel Montagu	10½%
Banque du Rhone	11 %	■ Morgan Grenfell	a10½%
Barclays Bank	10½%	National Westminster	10½%
Beneficial Trust Ltd.	11½%	Norwich General Trust	10½%
Bremar Holdings Ltd.	11½%	P. S. Refson & Co.	10½%
Brit. Bank of Mid. East	10½%	Roxburghe Guarantee	11 %
■ Brown Shipley	11 %	Slavenburg's Bank	10½%
Canada Perm't Trust	11 %	Standard Chartered	‖10½%
Castle Court Trust Ltd.	11 %	Trade Dev. Bank	10½%
Cavendish G'ty T'st Ltd.	12 %	Trustee Savings Bank	a10½%
Cayzer Ltd.	10½%	TCB	10½%
Cedar Holdings	11 %	United Bank of Kuwait	10½%
■ Charterhouse Japhet	10½%	Volkskas Intl. Ltd.	10½%
Choulartons	10½%	Whiteaway Laidlaw	11 %
Citibank Savings	¶11 %	Williams & Glyn's	10½%
Clydesdale Bank	10½%	Wintrust Secs. Ltd.	11 %
C. E. Coates	11½%	Yorkshire Bank	a10½%
Comm. Bk of N. East	10½%		
Consolidated Credits	10½%		
Co-operative Bank	*10½%		
Corinthian Secs.	10½%		
The Cyprus Popular Bk.	10½%		
Duncan Lawrie	10½%		
E.T. Trust	10½%		
Exeter Trust Ltd.	11½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13 %		
Robert Fraser	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%, 1-month 7.50%. Short-term £8,000/12-month 8.85%.
† 7-day deposits on sums of: under £10,000 7¾%, £10,000 up to £50,000 8%, £50,000 and over 8¼%.
‡ Call deposits £1,000 and over 7¾%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 7¾%.
¶ Mortgage base rate.
a Effective from close of business 31 August 1982.

INSURANCE

Fears over size of Lloyd's fund

BY JOHN MOORE, CITY CORRESPONDENT

LLOYD'S of London's central fund, an essential element in the security of a Lloyd's insurance policy, is understood to stand at around £92m—a sum which is smaller than tha volume of premium income accepted by some of its largest individual underwriting syndicates.

The fund, founded in 1927 in the wake of a Lloyd's scandal, is also understood to have been as low as £50m in recent years. This compares with Howden's two main syndicates' total premium capacity of £117m.

Lloyd's has never released the figures because it has argued that to do so would encourage irresponsible underwriting within the Lloyd's insurance market. Underwriters, they have said, would trade in the knowledge that if their underwriting went wrong they could be bailed out.

The size of the fund is extremely disturbing, according to certain underwriters to whom the figure has been disclosed.

Troubles in recent years, culminating in the Howden affair at Lloyd's, bave involved large sums of money.

In the Sasse affair, a 110-strong underwriting syndicate faced liabilities and claims of £21.5m. Tben, wben Lloyd's admitted that the members of the syndicate bad justifiable grounds for complaint wben they made allegations of broken rules and breacb of dnties against the Lloyd's establishment, the central fund had to be brought into action.

Lloyd's used the central fund to guarantee loans of about £7m to the Sasse syndicate so that they could meet insurance claims while tha syndicate sorted out disputes with Lloyd's and other parties. Eventually, the Corporation of Lloyd's indemnified the members by arranging an in-bouse reinsurance within the market under which all members of Lloyd's were expected to meet all claims falling on the syndicate over and above £6.25m.

In the wake of the Howden affair, 3,800 members of Lloyd's who form the Howden-managed underwriting syndicates within the market face huge insurance claims. So far Lloyd's and Howden have curbed the underwriting of the syndicates, because the syndicates were in danger of breaching their premium income limits earlier this year.

The syndicates will not accept new business, and this is likely to continue until the management problems within Howden can be sorted out following last week's revelations.

Insurance claims are still falling on the syndicates and they have to pay them. Tha syndicates in turn are relying on collecting reinsurance claims from Howden-managed insurance companies with which they bave taken out reinsurance policies.

These insurance companies have bad to receive a capital injection of $10m (£5.9m) from Howden's U.S. parent, Alexander and Alexander, and the U.S. group bas warned that there is likely to be a shortfall in assets of up to $25m.

If the members of the syndicates cannot collect on the reinsurance from Howden-managed insurance companies, then they will have to meet the losses out of their own resources. The claims and outstanding liabilities against Howden-managed insurance companies could be over $50m.

The chain of security at Lloyd's works in the following way:

All Lloyd's members accept the principle of unlimited liability. They are individually liable for all insurance claims to the full extent of their personal wealth.

On admission, each member of Lloyd's must furnish security in an approved form—his Lloyd's deposit—which is beld in trust by the Corporation of Lloyd's. Deposits are available solely as security for a member's underwriting liabilities.

Total members' deposits at Lloyd's probably exceed £500m. In addition personal wealth of the entire 21,000 membership ia expected to be over £1bn.

All premiums which are accepted on behalf of Lloyd's members during business trading mnst be placed in a premiums trust fund from which only claims, return premiums, reinsurance and expenses or ascertained profits may be withdrawn.

Investment of the premium trust fund is managed by the member's underwriting agent and the criteria for investment are laid down by the Lloyd's committee, the main criterion being that of ready realisability to meet underwriting liabilities. All U.S. and Canadian dollar premiums are paid into trust funds maintained in those countries.

In addition, underwriting members may transfer to a special reserve funds amounts up to a stated maximum out of the profits. This fund is designed to meet future underwriting losses. Once each member of Lloyd's share of all these funds are exhausted, he has to draw on his own private wealth.

Every year members of Lloyd's are required to contribute by means of a levy to the central fund—the important fund of last resort—which is a fund designed to meet the liability of any underwriting member whose security and personal assets are insufficient to meet his underwriting commitments.

When Sir Henry Fisher reviewed self-regulation at Lloyd's in 1979-80 the annual levy to the central fund was fixed at 0.45 per cent of premium income less certain deductions.

Sir Henry urged that Lloyd's should review the purpose for which the money should be used, the investment of the fund in the light of the purposes for whicb the money in the fund may be required; the provision that money in the fund may not be applied in payment of claims on policies underwritten by a member until he has been declared to be in default; and the rates of contribution and tbe procedura for increasing contribution in case of need.

But until Lloyd's new Act of Parliament becomes fully operational—at the end of this year, once a new Lloyd's council is formed—there is little radical change which can be implemented in the central fund to strengthen its position within the Lloyd's market.

Fresh move to avert collapse of Viners launched by consortium of investors

BY TERRY GARRETT

FOR THE second time in just over a year a rescue attempt is being launched to save tha ailing Viners, largest cutlery manufacturer in Sheffield, from collapse.

A consortium of investors, including the previons management, has agreed in principle to buy Viners from the receivers called in by Midland Bank, the company's bankers, in July.

Also involved in the rescue operation is Sheffield's Labour-controlled city council, which has a £2m fund to help struggling businesses.

If the company can be rescued, it would save 300 jobs in the badly-hit cutlery industry.

It is only 13 months since the old family company of Viners was revived by an Anglo-American consortium wbich bought control and injected nearly £1.5m of cash by way of a rights issue.

In the first six months of 1981 Viners lost £1.08m, and the board and their families agreed to sell ont at 2p a sbare wben approached by the consortium, led by Mr Lncius Andrew, a U.S. businessman, and Mr Peter Breach, his British partner.

Midland backed the original rescue plan, but this summer called in Mr Geoffrey Martin and Mr Peter Phillips, of the accountants Bernard Phillips, as joint receivers and managers.

Viners shares were suspended in the stock market at 1p.

In a brief statement the company said: "Completion of the purchase is expected in the near future. Meanwhile, Viners' extensive product range, including many new items, is availabla for the season's trade."

A new lease of life for Viners was by no means certain last night. Mr Bill Michie, chairman of the Sbeffield Employment Committee, has warned that there are conditions over job security and trade union representation to be agreed before details can be completed.

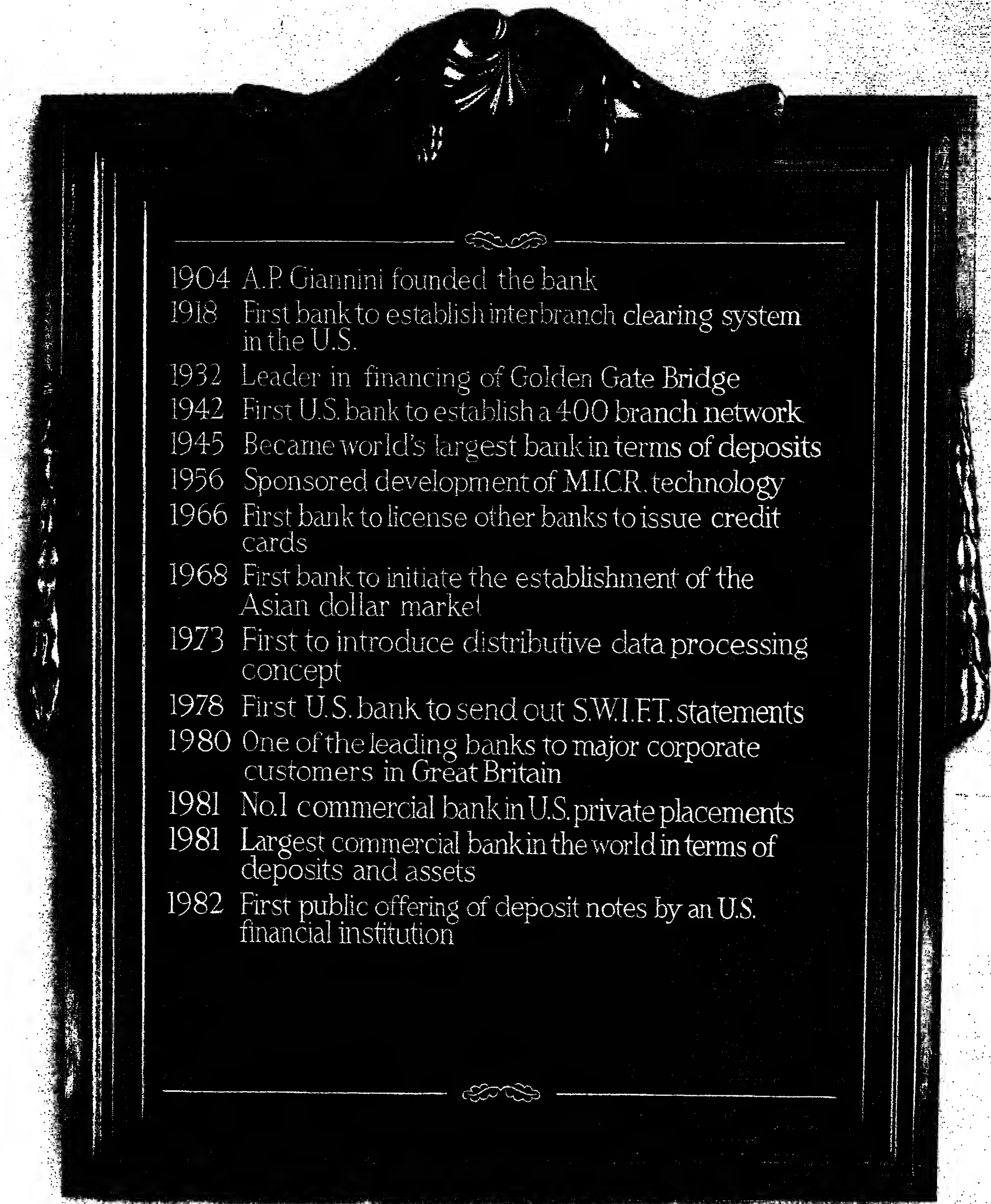
BTG invests £100,000 in J.J. Electronic

Financial Times Reporter

THE BRITISH Technology Group (BTG) is investing £100,000 in J. J. Electronic Components, a Northumberland-based company specialising in the production of miniature circuits on small ceramic tiles.

Through its North East Regional Enterprise Board, BTG will inject £30,000 into J. J. Electronic immediately by buying redeemable preference shares. The remaining £70,000 will be drawn down as the company achieves certain performance targets.

BTG will participate in future profits and retain the option to convert part of its bolding into 30 per cent of the enlarged share capital.



This is what it takes to become a leader.

Years.

Of hard work. Of innovation. Of grit and determination, and a vision as big as the world.

And the kind of courage that backed everything from early oil exploration in the North Sea, the birth of Silicon Valley before microchips became a part of everyday life, to being a lead bank to some of Britain's major international companies.

Leadership that takes on sovereign risks to open up avenues for international trade. Leadership that shines through our foreign exchange expertise and cash management services.

The kind of leadership that today gives our bank the greatest number of fully staffed branches of any US bank, and the largest asset base of any commercial bank in the world.

Who else would you look to for your banking needs?

Look to the Leader

BANK OF AMERICA

CREDITS

Impressive banking support for $4bn French borrowing

FRANCE today begins formal syndication of its $4bn, ten-year Eurocredit which attracted subscriptions totalling $5.7bn from lead managers.

Syndication will test the willingness of smaller banks to put up money at margins which are still considered rather fine by many market participants, but the results will not necessarily be representative as minimum participations will be for an unusually large amount of $10m.

Managers will also be sought at a level of $30m and co-managers at $20m. Any additional subscriptions will allow a further reduction in the commitments of lead managers whose underwriting has already been reduced to $70.2m apiece from $100m because of over-subscription.

The loan already counts as a spectacular success for France which has been able to exert considerable political leverage on large banks to come in as underwriters.

This is thought to have been more important in the market than the pricing of the loan which involved France dropping all aspirations to a margin of ⅜ per cent over Libor. The loan bears a margin of ½ per cent, a commitment fee of ¼ per cent and a management fee of 0.2 per cent.

Some bankers had expected France's example to be followed by other borrowers, particularly Far Eastern borrowers who have been benefiting from ⅜ per cent margins for some time.

Bankers in Hong Kong say that competition for selected Far Eastern business is still intense and there is growing speculation that Indonesia may be able to obtain a ⅜ per cent margin on a forthcoming borrowing of $400m to $500m.

Details of Indonesia's plans remained very sketchy at the weekend, but one possibility being canvassed in the market was that it might consider a package including a sterling bankers' acceptance loan as well as a dollar tranche at a margin of ⅜.

Elsewhere about 30 banks have now agreed to commit $200m for an 18-month credit to Yugoslavia. The bulk of tha money of $175m would come from U.S. banks and the rest from Japanese institutions.

Canadian institutions are understood to have declined to participate in the credit which bears a margin of 1¼ per cent over Libor or 1 per cent over prime.

Final details still have to be settled with Yugoslavia before a formal offer is presented. These include the Yugoslav borrowing vehicle for the loan, and the way in which the credit is to be tied to availability of International Monetary Fund finance.

Another Eastern European borrower making fresh progress in the Euromarket is Hungary, which should today learn the decision of central banks meeting at the Bank for International Settlements on its application for a $300m standby credit.

Hungary recently received a $260m credit from major Western banks as a sign of confidence in its future. It is now also appearing in a modest way in other sectors of the market. It has arranged a $30m, two-year pre-export financing credit with a margin of ⅞ per cent over Libor from a group of banks led by Banco Arabe Espanol.

In Latin America, Brazil has managed to keep some funds flowing in despite a rather shaky start to the month. It has arranged a $100m club deal for its oil agency Petrobras which involves several key lenders.

Coupled with news that Argentina has begun earnest discussions on its debt problems with leading international banks, this suggests that efforts are being made to cure the paraysis in Latin American lending which set in after Mexico announced it would not pay principal to commercial banks for three months.

Peter Montagnan

INTERNATIONAL BONDS

Caution prevails as momentum slackens

THE EUROBOND market refused to come out in sympathy with Britain's striking health workers last Wednesday. While others downed their tools, new issue managers were hard at work producing $500m in new fixed-rate bonds, more than on any single day since June.

Paradoxically, however, the rest of the week was marked by inaction, particularly on Thursday and Friday when the momentum which had been building up in the secondary market also began to slacken.

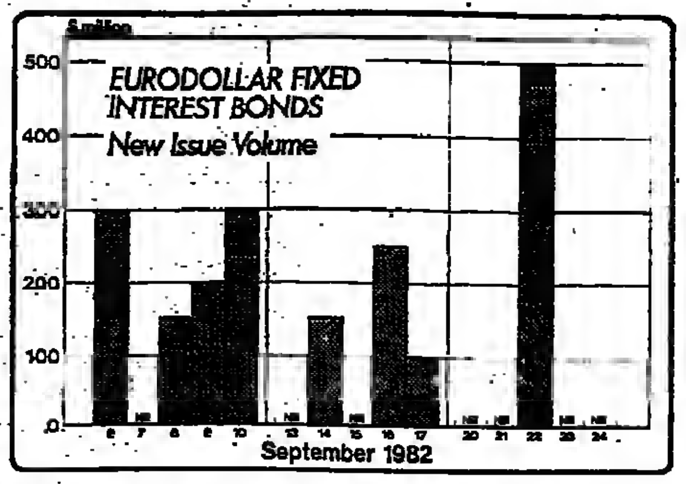
Over the week as a whole Eurodollar bond prices rose by around 1¼ points, but these gains were almost entirely confined to the first three trading days. At the end of the week the market was waiting for a fresh impulse to start it moving again, up or down.

Such a consolidation was inevitable after the strength of the past few weeks. Market gains have been based on expectations of lower interest rates which were fuelled last week by Federal Reserve injections of liquidity into the U.S. money markets.

Short-term interest rates have not moved much as a result. Last week saw no further cuts in U.S. prime rate, and six-month Eurodollars closed the week down only ⅛ points at 12⅜.

Nonetheless Friday's closing tone in the Eurobond market was still described as firm by many dealers. Some believe the market is now carrying quite large long positions of bonds and a fair portion of the recent new issues still remains to be placed.

This would make the market very vulnerable to a sudden change in the direction of rates and may be one reason why caution began to prevail in the minds of both investors and new issue managers after Wednesday's bonanza.



The market is still very concerned with quality. Of last week's new issues Ontario Hydro and Japan Development Bank were very well received, bnt two bonds for doube "A" rated U.S. companies, Dresser Industries and United Technologies, sold more slowly.

The United Techonlogies issue particularly, was regarded as over-priced by the market. On Friday afternoon the 12⅜ per cent bonds were quoted at a discount of 1¼ per cent from their par issue price by lead managers Goldman Sachs.

By contract, the IBM $200m, 12⅜ per cent issue which started the flood of low-coupon U.S. corporate issues three weeks ago was quoted at 100⅝ mid-point. This gives a yield of 12.12 per cent.

Other triple "A" rated issues in the secondary market still hava soma way to go to catch up with IBM, although the differential between the primary and secondary market did narrow last week.

In some cases, however, this discrepancy between the primary and secondary markets is thought to relate to the call provisions on seasoned bonds. Investors are looking for issues promising a guaranteed return into the medium-term future. Higher yielding bonds are less attractive if they can he called by the borrower at short notice.

German bond markets, managed to absorb a large volume of new paper last week, although tha final amount was less than the DM 550m predicted because of the postponement of the DM 30m private placement for Takugin, the Japanese banking concern.

Two of the issues—for Beecham, the British pharmaceuticals and consumer products concern, and for Eurofima, the railway rolling stock financiers—were awarded exceptionally low coupons of 8⅛ per cent.

But they are understood to have sold even better than the 8¼ per cent European Investment Bank issue. The EIB has already borrowed heavily in this market.

D-Mark foreign bonds gained up to one point over the week as a whole. Swiss Franc issues lagged other markets somewhat with gains of only around ½ point.

P.M.

SAMURAI BONDS

Japan hints of a more liberal approach to new issues

LAST WEEK the major Japanese securities houses made clear their desire to see an expansion in the domestic yen hond market for foreign borrowers — the Samurai market. But as one senior Japanese hanker pointed ont, this market is subject to as much self-control and discipline as were the Samurai warriors.

The main discipline today is the Japanese Government, acting through its gently worded "suggestions." But there were signs last week that the financial anthorities are preparing to loosen the reins and permit what is politely called a "liberalisation" of the Samurai bond market.

This liberalisation could involve a more flexible review of the queueing system for foreign borrowers, leading to a situation where private corporations could compete on the same hasis as sovereign and supranational issuers. In addition, discussions are under way between the securities industry and the Ministry of Finance concerning the use of a Japanese bond-rating service for Samurai issues.

The reforms are also expected to lead to a maintained ceiling of Y20bn for triple "A" borrowers, with lesser quality issuers borrowing smaller amounts. Most of all, however, the liberalisation is seen in Japan as an effort by the authorities to react to criticism from abroad over tha lack of sufficient access for foreign borrowers.

The Samurai market has several attractions for borrowers: it has offered borrowing rates in the 8 to 9 per cent range over the past two years, compared with much higher dollar rates. It is a useful funding source for heavy supranational borrowers such as the World Bank, Asian Development Bank, and European Investment Bank.

Bnt the market has been tightly controlled, largely becanse of the Japanese Government's policy of allowing only snail-like progress in the internationalisation of the yen. In the market's 12-year history it has seen around 150 issues, of which more than half have been launched in the past three years. The pace is picking np—now around four issues a month—but the total outstanding amount of Samurai issues is only Y2,500bn ($9.5bn).

This makes for a stagnant secondary market: around 80 per cent of the new issues are bought by Japanese institutional investors and there is not much liquidity.

Where is the Samurai market headed? Both Japanese underwriters and government officials agree that the direction is toward greater liberalisation and development. But it could be 1985 before the annual new issue volume touches Y1,000bn. The underwriters are certainly hungry for more business, but none of them is forecasting any major take-off for the Samurai market.

Alan Friedman

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Forsmarks‡	75	1992	7.6	13¾	99	CSFB	13.941
Marine Midland†‡	125	1994	12	5¼Φ	100	Lehman Bros. Kuhn Loeb	—
Ontario Hydro‡	200	1992	10	12¾	99½	Deutsche Bank	12.842
United Technologies‡	100	1989	7	12⅜	100	Goldman Sachs	12.375
Japan Devt. Bank‡	75	1989	7	12¼	100	Morgan Guaranty	12.250
Dresser Ovs. Fin.‡	75	1989	7	12½	99½	CSFB	12.668
Devt. Fin. Corp. N.Z.‡	50	1989	6	11¾	97½	Citicorp	12.360
D-MARKS							
African Devt. Bank‡	100	1989	7	10	100	DG Bank	10.000
Beecham‡	125	1992	10	8⅛	100	Commerzbank	8.125
EIB‡	200	1992	10	8¼	99	Deutsche Bank	8.402
GMAC‡	100	1987	5	8¼	100	Deutsche Bank	8.250
Eurofima‡	100	1990	8	8⅛	99½	Deutsche Bank	8.213
SWISS FRANCS							
Kawasaki Steel‡	100	1992	—	6½	99½	SBC	6.605
'K' Line**§	55	1987	—	6¼	*	CS	*
Komatsu**§	100	1987	—	*	*	SBC	6.250
City of Oslo‡	100	1992	—	6¼	100½	Handelsbank	6.182
Japan Devt. Bank**‡	150	1987	—	6¼	99¾	CS	6.310
Nippon Paint**‡	30	1987	—	7¼	100	SBC	7.250
World Bank	100	1992	—	*	*	UBS	6.250
EEC	100	1992	—	*	*	Soditic	*
STERLING							
FFI‡	30	1988	6	12¼	100	SG Warburg	12.250
GUILDERS							
World Bank**‡	100	1987	5	10	100	ABN	10.000
YEN							
Asian Devt. Bank‡	20bn	1994	10.32	8.4	99.85	Nikko Secs.	8.597
Australia	15bn	1992	10	8½	*	Nomura Secs.	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Wall Street sinks its teeth into peak new issue volume

WALL STREET was in no need of bicarbonate of soda last week to digest a record supply of new Treasury securities and a continuing flood of new corporate bond issues. In all, the treasury raised some $22bn from the sale of short, medium and long term securities while in the corporate market a total of $1.2bn in new straight debt issues sold out quickly.

The Treasury's heavy slate of new issues was helped along by the continuing steady monetary posture of the Fed—Fed Funds are coasting along in the 10 per cent range and the central bank seems to be intervening in the market to ensure the rate stays at this level—and strong retail demand for government issues.

Moreover, as Mr Henry Kaufman of Salomon Brothers pointed out on Friday night, market fears of a significant run-up in the cost of Fed Funds in response to near-term money supply bulges have diminished.

With more evidence last week that the U.S. economy remains extremly weak — durable goods orders declined by a whopping 4 per cent last month and the leading economic indicators to be released this week are expected to show a renewed decline — the market was able to absorb more easily the Treasury's voracious appetite for new debt coupled with an equally heavy calender of new corporate debt.

After the $4.3bn bulge in M-1 the previous week, the measure last Friday showed a $1.3bn decline. Although this was not sufficient to offset the recent heavy increases in the weekly aggregate, the recent renewed obsession on the market's part with M-1 appears to have abated again. With general agreement that the Fed is unlikely to tighten credit in current economic conditions whatever the money statistics, market sentiment remains on the whole bullish.

With Wall Street, for the time being at least, appeased by the Fed's current intentions, the market has been trying to get a somewhat clearer idea of where the economy is heading. The Reagan Administration last week revised its earlier optimistic view that the recovery was now underway and said it had abandoned hope of strong recovery in 1983.

Although the generally glum picture for the U.S. economy is continuing to add strength to the bond market, it is also having an impact in some sectors of the money markets by putting a premium on so-called "quality" issues. Indeed, the most noticeable effect of the premium investors are putting on quality has been in the CD market.

Mr Frank Mastrapasqua, of the Wall Street firm of Smith Barney, says that for the week ending last Thursday, the yield differentials between CDs and Treasury Bills and commercial paper and Treasury Bills increased to the highest levels reached in the current cycle. Since the beginning of this year the spreads have consistently widened.

The reason for this is that although rates have been declining sharply, financial and business difficulties continue unabated. Mr Mastrapasqua says last week alone five ailing thrift institutions merged with government help, bringing to 34 the number of such salvage merger operations so far this year. The financial problems which emerged last week at GHR, an oil and gas company owing $750m to a group of major U.S. and foreign banks, the troubles at International Harvester and at other large manufacturer concerns are all causing increasing worries among investors about the possibility of more loan losses and problem loans for the banking system.

Paul Betts

U.S. INTEREST RATES (%)

	Week to Sept 24	Week to Sept 17
Fed. Funds wkly av.	10.19	10.53
3-month Treas. bills	8.96	8.00
3-month cd	10.65	11.00
30-year Treas. bonds	11.73	12.13
AAA utility	13.38	13.88
AA industrial	13.13	13.63

Source: Salomon Bros. (estimates). In the week to September 8 M-1 fell $1.3bn to $460.1bn.

Swedish utility bids for shares in power group

BY WILLIAM DULLFORCE IN STOCKHOLM

SYDKRAFT, the south Swedish power company, has made a SKr 1.1bn ($177m) offer for the 15.47 per cent of Kraangede Power Company owned by SKF, the roller bearings group. SKF has agreed to discuss the offer, stating that the sale would reinforce its financial position and help to consolidate its main bearings and steel operations.

For Sydkraft the purchase would raise its stake in Kraangede to 23.55 per cent and increase the hydro-electric power at its disposal. In the first half of this year 64 per cent of the electricity supplied by Sydkraft came from nuclear power and only 24 per cent from cheaper hydro-electric generation.

Kraangede owns six hydro-power plants with a combined effect of 690 megawatts. It also disposes of electricity from two thermal plants and has shares in the nuclear power stations at Forsmark and Oskarshamn.

Sydkraft also reports a fall from SKr 387m to SKr 231m in first-half 1982 earnings on sales ahead by only 2 per cent to SKr 1.7bn. Sales of electricity grew by 9 per cent, mainly as the result of widespread change from oil-fired to electrical heating in South Sweden.

The profit decline was due to higher production costs which in turn resulted from a reduced output of hydro power, increased charges for temporary purchases of power from external sources and the company's heavier reliance on oil-fired power.

For 1982 as a whole Sydkraft expects earnings before the deduction of minority interests to be around SKr 500m compared with the SKr 536m reached last year.

This would correspond to a pre-tax return on total capital employed of roughly 10 per cent against 12 per cent in 1981 and a post-tax return on equity of about 10 per cent, or 3 per cent less than last year.

Wessanen expands in U.S.

WESSANEN, THE Dutch Foods group, is to bid for Crowley Foods, a New York-based company which produces cheeses and yoghurts and has moved recently into pet foods. Crowley employs some 700 workers and had sales last year of $110m, Walter Ellis writes from Amsterdam.

Crowley has six production and 17 distribution centres. Its results this year have been satisfactory and the medium-term outlook is said to be good.

Court says yes to Bell Canada plan

By Robert Gibbens in Montreal

BELL CANADA can go ahead with its major corporate reorganisation by the year-end without submitting the move to prior approval by the Canadian Radio-Television Commission, the Superior Court has ruled.

The reorganisation would split Bell's regulated telephone business from the non-regulated businesses operating in telecommunications equipment printing and management contracting and overseas operations.

The Federal Government and the CRTC, through the Attorney-General's office, had intervened, arguing that because the CRTC must approve all Bell Canada's new financings, the reorganisation must be subject to its approval. The CRTC regulates Bell's telephone service rates.

Bell replied that the reorganisation was not a new financing and the CRTC had no jurisdiction over its corporate structure.

Japan may issue new style state bonds

BY ALAN FRIEDMAN IN TOKYO

THE JAPANESE Government, searching for ways to finance an additional Y5,000bn to Y6,000bn ($22.6m) 1982 budget deficit caused by a shortfall in tax revenues, is considering the introduction of West German-style promisory notes — long-term privately placed paper which would provide a higher return than normal government bonds.

The deficit for fiscal year 1982 (the 12-month period to next March) is now expected to total around Y17,000bn ($64bn). Prime Minister Zenko Suzuki has already declared a "financial state of emergency" amid much political jockeying over the problem. Much of the additional deficit is likely to be financed through the issue of supplementary government bonds, now carrying an 8 per cent coupon with a ten-year maturity.

It has emerged, however, that Japanese financial authorities have asked insurance companies to consider accepting 15-year promisory notes. These could carry a coupon just below the current Japanese long-term prime rate of 8.9 per cent, possibly a level of around 8.7 per cent.

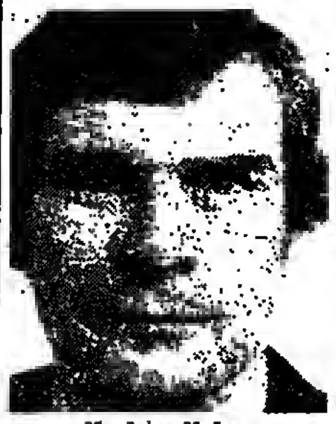
Such promisory notes would be similar to the "Schuldschein" notes which are issued by the West German Government. They are generally unknown in Japan as a method of financing the government.

Japanese financial authorities attempted last year to persuade the country's large commercial banks to accept the "Schuldschein" concept, but the banks were unwilling to co-operate.

It remains unclear whether Japanese insurance companies will find the idea of such promisory notes attractive, despite the possibly higher interest rate. If the idea is successful, it would be implemented at some time before next March.

Top man for Midland Bank in Singapore

● Mr John C. McLean has been appointed chief manager of MIDLAND BANK'S Singapore branch and managing director of its wholly-owned subsidiary.



Mr John McLean

Midland Bank (Singapore), from October 1. He succeeds Mr Peter C. White who is returning to Midland Bank International in London. Mr Terry J. Redman has been appointed senior executive, loan syndication department of Midland Bank International in London, in succession to Mr McLean. He was previously a manager in this department.

INTERNATIONAL APPOINTMENTS

● Mr Neil R. Austrian, who had been president and chief operating officer of DOYLE DANE BERNBACH INTERNATIONAL, has become president and chief executive officer of the agency. He succeeds Mr Joseph R. Daly, who will continue as chairman of the board and who has signed a contract to remain with the company through 1987. In other moves, the board elected two new members: Mr Roy Grace, vice-chairman of the board executive creative director of DDB-New York, and Mr Barry Loughrane, president and chief executive officer of DDB/West.

● Mr Maurice Amand, who was in charge of the international finance department, has been appointed advisor to the executive manager in charge of the central directorate for international affairs and co-operation at CREDIT LYONNAIS. His responsibility will be mainly to develop relationships with French borrowers tapping the Eurobond market and with large financial institutions and institutional investors. Mr Marcel Sarmet, who is responsible for project financing, will also manage the international finance department.

● At NATIONAL MUTUAL LIFE ASSOCIATION OF AUSTRALIA, Melbourne, Mr R. F. McDonald, assistant general manager, will become deputy general manager from October 1. He has elected to retire in August next year. From January 1, Mr E. A. Mayer, assistant general manager, will be appointed deputy general manager. Mr I. N. Ferres, chief investments manager and Mr R. M. Hoskins, manager for New Zealand, will be appointed assistant general managers from that date. It is intended that Mr Mayer, Mr Ferres and Mr Hoskins, will join the National Mutual board at the annual meeting in Februray 1983.

● Mr Peter R. Travers has been appointed chief manager corporate and international banking divisions for the BANK OF NEW ZEALAND, Wellington prior to this appointment Mr Travers was chief manager, corporate banking division and before that regional manager UK and Europe based in London.

● Mr Harry Morton has been appointed senior business development manager at NATIONAL WESTMINSTER BANK'S executive office Far East and Australasia in Singapore. Prior to his new appointment he was head of export finance section, based in the City of London.

● JOY MANUFACTURING CO., Pittsburgh, has elected Mr A. William Calder as president and chief executive officer, succeeding the retiring Mr James W. Wilcock. Mr Calder had been president and chief operating officer while Mr Wilcock had been chairman and chief executive officer. Vice-chairman Mr Andre R. Horn has been elected chairman and chief administrative officer. Mr Wilcock remains a director and chairman of the board's executive committee.

● Mr Ronald W. Jones has been named director of fabricated products and marketing for PPG INDUSTRIES' flat glass division, Pittsburgh. He has been divisional director of marketing since 1981.

● PETRIE STORES CRPN has appointed Mr Michael J. Boyle as president and chief executive officer from November 1. He is currently chairman and chief executive officer of Federated Department Stores' Lazarus division, which is headquartered in Columbus, Ohio.

● H. J. HEINZ COMPANY has elected new chief executive officers for two of its major subsidiaries. Mr Richard L. Beattie will become president of Star-Kist Foods, California, on January 31 1983. He will succeed Mr John J. Real, who is retiring. Mr John F. Hinch, currently director-subsidiaries for H. J. Heinz Company, England, will succeed Mr Beattie as managing director of that company on December 1.

● Mr Michael O. Alexander has been appointed executive partner in charge of professional services and resource development for TOUCHE ROSS INTERNATIONAL, New York. He was director of research and technical activities of the financial accounting standards board—a position equal in importance to that of board members.

● Mr Donald R. McGraw, has been named senior vice president of finance for KELLOGG RUST, the Houston-headquartered subsidiary responsible for the worldwide operations of The M. W. Kellogg Company of Houston and Rust International Corporation of Birmingham, Alabama. Kellogg and Rust are engineering subsidiaries of Wheelabrator-Frye. He retains his current responsibilities as senior vice president of finance for The M. W. Kellogg Company.

● BERKEY PHOTO has elected Mr A. Michael Victory, chairman of the board. He is a general partner of Cumberland Investment Group, New York. He has been a member of the Berkey board since 1967 and has served as vice chairman since May 1980.

● Mr Per G. Kristiansen, presently director of marketing for resins and intermediates, DOW CHEMICAL EUROPE, has been promoted director of corporate accounts and distributor affairs, based in Horgen, Switzerland. He will be phasing out of his present responsibilities during October and will be fully involved in his new position by November 1.

● Mr William S. Barrack Jr has been appointed president of TEXACO OIL TRADING AND SUPPLY COMPANY, a division of Texaco Inc. Mr Barrack, who has served as chairman and chief executive officer of Texaco Limited in the UK since April 1 1980 will succeed Mr Elton G. Yates, president of the newly-established Texaco Middle East—Far East division. In his new assignment, from October 1, Mr Barrack will be located at the Texaco offices in Harrison, New York.

● Mr Thomas Rodriguez has been appointed in charge of administrative liaison for Latin America for FLEXI-VAN. He will be responsible for all administrative matters between the New York office of Flexi-Van Containers/Chassis and all Latin American customers and agents.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	106⅝	107⅛	−0⅛	+1⅞	12.42
Amax Int. Fin. 16⅛ 92	75	103⅝	104⅛	+0⅛	+1½	15.39
Amex O/S Fin. 14⅛ 89	75	102¾	103¼	−0⅛	+1⅛	13.48
ATT 14⅞ 89	400	108½	108⅞	+0⅛	+1⅜	12.20
Baker Int. Fin. 0.0 92	225	29	29½	0	+1⅜	13.84
BHP Finance 14⅛ 89	150	100⅜	100⅝	+0⅛	+1	14.57
Bk. Amer. NT SA 12 87	200	95⅜	96⅛	−0⅛	+1⅛	13.21
Bk. Montreal 14½ 87	100	97½	98	0	+1	15.14
Banq. Indo Suez 15 89	100	101⅜	101⅞	+0⅛	+1	14.55
British Col. Hyd. 14⅜ 89	200	104¼	104⅞	0	+1⅛	13.65
British Col. Hyd. 15⅛ 87	150	106⅝	107⅛	−0⅛	+1	13.90
Canada 14⅛ 87	750	105	105⅞	−0⅛	+1⅛	12.78
Canadair 15¼ 87	150	104⅝	105⅛	0	+1⅞	13.89
Can. Pac. Sec. 14⅝ 92	75	101	101½	+0⅛	+1⅞	14.34
Can. Pac. Sec. 15 97	75	101⅞	102⅜	0	+1⅜	14.47
CIBC 16 87	100	101⅜	101⅞	0	+0⅞	15.38
Citicorp O/S 15 84/92	100	101	101½	−0⅛	+1⅛	13.87
Citicorp O/S 15½ 85/97	125	102⅞	103⅜	−0½	+1⅛	13.90
CNA 15⅝ 97	75	105⅞	106⅜	−0⅛	+1⅞	14.78
Con. Illinois 15⅛ 89	100	97⅞	98⅜	−0⅛	+1⅛	16.20
Deutsche Bk. F. 14½ 89	300	101⅞	102⅜	−0⅛	+0⅞	13.74
Duke Pwr. O/S 15½ 89	80	103⅛	103⅝	0	+0⅞	14.54
Du Pont 14½ 89 WW	200	102⅝	103⅛	−0⅛	+1⅛	13.39
ECSC 14⅞ 87 (April)	80	103⅛	103⅝	−0⅛	+1⅛	13.58
EIB 15½ 89	150	104½	105	−0⅛	+1⅞	14.28
EIB 15⅛ 92	100	104⅞	105⅜	−0⅛	+1⅛	14.46
Exportfinans 14⅛ 89	50	102½	103	−0⅛	+1	13.79
Gen. Elec. Credit 0.0 92	400	32⅛	32⅝	0	+1⅛	12.75
Gen. Elec. Credit 0.0 93	400	28½	29	0	+1⅛	12.74
Getty Oil Int 14 89	125	104½	105	+0⅛	+1⅞	12.84
GMAC O/S 15⅝ 85/97	100	102⅞	103⅜	−0⅛	+1⅛	13.70
GMAC O/S Fin. 15 89	125	102⅞	103⅜	−0⅛	+0⅞	14.22
GMAC O/S Fin. 15 87	100	103⅞	104⅜	−0⅛	+1⅛	13.76
Gulf Canada Ltd 14⅞ 92	100	102⅝	103⅛	−0⅛	+1	14.11
Gulf Oil 14⅛ 94	175	102½	103	−0⅛	+1⅞	13.72
Gulf Oil Fin. 0.0 92	300	31⅛	32⅛	−0⅛	+1⅛	12.83
New Brunswick 15⅛ 87	75	104⅝	105⅛	+0⅛	+0⅞	13.76
New Brunswick 16⅛ 89	75	106½	107	−0⅛	+1⅛	14.59
Nova Scotia Pr. 15½ 89	75	104⅛	104⅝	+0⅛	+0½	14.15
Ontario Hydro 14⅛ 89	150	105⅛	105⅝	−0⅛	+0⅛	13.39
Ontario Hydro 15 92	150	105⅛	105⅝	−0⅛	+1	13.90
Pac. Gas & E. 15½ 89	45	104½	105	−0⅛	+1½	14.27
Phillips Petrol 14 89	200	102⅞	103⅛	−0⅛	+0⅞	13.33
Saskatchewan P. 15 92	150	104⅛	104⅝	+0⅛	+1½	14.13
Shell Canada 14⅛ 92	125	101⅞	102⅜	−0⅛	+0⅞	13.84
Superior O/S Fin. 14 89	125	102½	103	0	+1	13.31
Swed. Exp. Cr. 15⅛ 89	100	102⅞	103⅛	0	+0⅞	14.44
Swed. Exp. Cr. 14⅞ 90	100	100⅛	100⅝	0	+0⅞	14.61
Swed. Exp. Cr. 0.0 94	200	21⅞	22⅜	+0⅛	+0⅞	14.18
Texas Eastern 15⅛ 89	50	102⅛	102⅝	+0⅛	+0⅞	15.07
Union Carbide 14⅛ 89	150	103½	104	0	+1⅛	13.79
Wells Fargo Int. 15 87	75	101⅞	102⅜	−0⅛	+1½	14.32
World Bank 14⅛ 87	500	102⅛	102⅝	−0⅛	+1	13.43
World Bank 15 87	250	104⅜	104⅞	−0⅛	+1⅛	13.60
World Bank 15 88	150	104⅞	105⅜	−0⅛	+1⅛	13.70
Xerox Fin. 14 87 WW	100	102⅞	103⅜	+0⅛	+1⅞	13.14

Average price changes... On day −0½ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asn. D. B. 9⅛ 92 (Apr)	150	99⅛	99⅝	+0⅛	+0½	9.31
Asn. D. B. 9⅛ 92 (Aug)	150	99⅛	99⅝	+0⅛	+0⅛	9.32
Austria 8⅛ 92	100	97	97½	+0⅛	+0⅛	8.78
Barclays 8⅛ 92	100	97⅛	97½	+0⅛	+0⅛	8.71
Black and Decker 9⅛ 89	100	102	102½	−0½	+0⅛	8.68
Bowater Int. Fin. 8½ 89	50	96	96½	+0⅛	−0⅛	9.22
Caisse Nat. Tele. 9½ 92	100	101⅜	101⅞	+0⅛	+0⅛	9.23
Canada 8½ 89	200	102⅞	103½	+0⅛	+0⅛	7.88
Cred. Foncier 8⅞ 92	100	98	98½	+0⅛	+0⅛	9.02
EIB 8⅛ 92	100	98⅛	98⅝	+0⅛	+1⅛	8.60
Int. Am. Dev. Bk. 9 92	150	99	99½	0	+0⅛	9.11
ITT Antilles 9⅛ 92	100	102⅞	102⅞	+0⅛	+1⅛	8.84
Nacnl. Financiera 11 90	150	83	85	0	+1½	14.83
Norsk Hydro 8½ 92	100	102	102½	+0½	+1½	8.14
Norsk Hydro 8 92	100	103⅛	103⅝	+0⅛	+0⅛	8.46
OKB 8⅛ 89	100	99⅞	100⅞	+0⅛	+0⅛	8.82
OKB 9 89	75	99⅛	99⅝	+0⅛	+0⅛	9.09
Philips Lamps 8½ 92	100	101⅛	101⅝	−0⅛	+0⅛	8.26
Philip Morris 8⅛ 90	100	101⅞	102⅞	0	+0⅛	7.85
Renfe 10 92	100	100	100½	0	+0⅛	9.94
SNCF 8⅞ 92	100	98⅛	98⅞	0	+0⅞	8.83
Tenneco Int. 9 92	100	100½	101	+0⅞	+0⅞	8.87
World Bank 8½ 92	200	99⅛	99⅞	+0½	+1	8.59
World Bank 9 92	200	101⅛	101⅝	+0⅞	+0⅛	8.80

Average price changes. On day +0⅛ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 7 92	100	99⅞	100⅛	+0⅛	+0⅞	6.99
Austrian Elec. 6⅞ 92	100	100⅛	100½	0	−0⅛	6.70
BNP 6⅞ 92	100	99⅛	99½	0	−0⅞	6.83
Eldorado Nuclear 6⅞ 92	100	103⅛	103⅝	+0⅛	+0⅞	5.98
Elec. de France 6⅞ 92	100	101⅛	101½	+0⅛	+0⅛	6.63
Elec. Power Dev. 6½ 92	100	103⅞	104	+0⅛	+0⅞	5.97
Ind. Fund Finland 6⅞ 92	30	100⅛	100½	+0⅛	+0⅞	6.69
Japan Dev. Bank 6 94	100	101⅛	101⅝	0	+0⅛	5.82
Kansai El. Power 6⅞ 92	100	102⅞	103⅛	+0⅛	+0½	6.33
Koa Oil Co. 7 92	75	103	103½	0	+0½	6.58
Lonrho Int. Fin. 7½ 92	80	93	93½	−0⅛	−0⅛	8.56
Mont Blanc Tun. 7⅛ 92	70	102⅞	103	0	0	6.72
Nafinsa 8⅛ 92	80	74	74½	+0⅛	+1	13.06
Natomas O/S F. 7½ 90	75	103⅞	103⅞	+0⅛	+0⅞	7.03
New Zealand 6 92	100	102⅞	103	+0⅛	+0⅞	5.60
Nippon Tel. & T. 6½ 92	100	104½	104⅞	+0⅛	+1⅞	5.86
NYK 6⅞ 92	100	99⅞	100	0	+0⅛	6.76
OKB 7⅛ 92	100	103	103½	0	+0½	6.80
Quebec Hydro 6⅞ 92	100	103⅛	103⅝	+0⅛	+0⅛	6.12
Renfe 7⅛ 92	87	97	97½	+0⅛	+0⅞	8.18
Sumitomo Metal 6⅞ 92	100	99⅛	99⅝	0	+1½	6.82
Svenska Handels 6⅞ 92	100	98½	99	+0⅞	+0½	6.92
Swed. Exp. Cred. 7⅛ 91	100	101½	101⅞	+0½	+1⅛	7.00
Trower Wasser 6⅛ 92	100	99	99½	+0⅛	+0⅞	5.37
TNT O/S Fin. 6⅞ 92	100	97⅛	97⅝	+0⅛	+1⅛	7.22
World Bank 7⅛ 92	100	104	104½	0	+0⅛	6.66

Average price changes... On day +0⅛ on week +0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8⅛ 92	15	97	97½	−0½	−0½	8.65
Int.-Amer. Dev. 8⅞ 91	15	100⅞	101⅛	−0⅛	−0⅛	8.67
Japan Airlines 7⅞ 87	5	96⅞	96⅞	0	−0⅛	8.92
New Zealand 8⅛ 87	15	98⅞	99⅜	−0⅛	−0½	8.52
World Bank 8⅛ 92	20	98⅛	99	−0½	−1	8.58

Average price changes... On day −0⅛ on week −0⅞

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$	100	†106⅛	107⅛	+0½	+3⅛	14.34
Br. Col. Tel. 17⅛ 88 C$	50	†105⅛	106⅛	+0⅛	+2⅛	15.61
Can. Utilities 17 87 C$	35	†106	107	−0⅛	+0⅛	15.00
Gaz Metro. 17⅛ 90 C$	20	†102⅞	103½	+0⅛	+1	16.53
OKB 16⅛ 88 C$	63	†105½	106	+0⅛	+2½	14.64
Q. Hyd. 16½ 89 (M) C$	50	†105½	106½	+0⅛	+2⅛	14.95
Univ. Queb. 16⅛ 87 C$	17	†101	102	+0⅛	+1	16.06
U. Bk. Nwy 9½ 90 EUA	18	96	97	0	−0½	10.17
Amro Bk. 10 87 (M) Fl	150	100⅞	101⅛	+0⅛	+0⅛	9.72
Amro Bk. 10 87 (A) Fl	75	100½	101	+0⅛	0	9.79
Bk. Mees & H. 10 87 Fl	75	99	99½	0	0	10.18
EIB 10 87 Fl	75	99⅛	99⅝	+0½	0	10.13
Ireland 10⅛ 87 Fl	75	99⅛	99⅝	+0⅛	0	10.66
OKB 10½ 87 Fl	75	100⅛	100⅝	0	−0⅛	10.38
OKB 14 86 FFr	400	93	94	0	−0⅛	16.55
Solvay et C. 14⅛ 86 FFr	200	94⅛	95⅛	0	+0⅛	16.80
Beneficial 14⅛ 90 £ (D)	20	93⅛	94⅛	+0⅛	+0⅛	15.50
BFCE 14½ 87 £	30	105⅞	106⅜	+0½	+0⅛	12.82
BNP 13½ 91 £	15	101⅞	102½	0	+0⅛	13.06
CECA 13½ 88 £	20	104⅞	105⅛	0	+0⅞	12.36
Fin. Ex. Cred. 13⅛ 86 £	15	101⅞	102⅛	0	+0⅞	12.84
Gen. Elec. Co. 12½ 89 £	50	102⅞	103⅜	0	+0⅛	11.80
Hiram Walker 14⅛ 86 £	25	102⅞	103⅛	0	+0⅛	13.15
Norsk Hydro 14½ 87 £	30	105⅞	106⅜	+0⅛	+0⅛	12.60
Privatbanken 14½ 88 £	12	98½	100	+0⅛	+0⅞	14.64
Quebec 15½ 87 £	35	106⅞	107⅛	+0⅛	+1½	13.34
Quebec Prov. 14½ 88 £	30	103½	103⅞	+0⅛	+1⅛	13.68
Reed (Nd) NV 16⅛ 89 £	25	107⅛	108⅛	+0⅛	+0⅞	14.59
Royal Trustco 14 86 £	12	102⅛	103⅛	−0⅛	+0⅛	12.83
SDR France 15½ 92 £	30	106	106⅛	+0⅛	+0⅛	14.18
Swed. Ex. Cr. 13½ 86 £	20	102½	103½	−0⅛	+0⅞	12.56
Tenneco Int. 14⅛ 87 £	30	102	102⅞	+0⅛	+1⅛	14.01
Coun. Eur. 12½ 92 LuxFr	600	105⅛	106⅛	0	−2	11.46
Eurofima 10½ 87 LuxFr	500	98	100	0	−0⅛	10.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅛ 92	0⅛	98½	98⅞	16/10	15.69	15.95
Bk. of Tokyo 5⅛ 91 (D)	0⅛	99⅞	100⅛	8/12	15⅛	15.27
Bk. Nova Scotia 5⅛ 93	0⅛	98⅞	99⅛	29/10	15⅛	15.30
BFCE 5⅛ 88	0⅛	99⅛	99⅞	28/10	15	15.06
BFCE 5⅛ 87	0⅛	99⅞	100⅛	27/1	14	14.02
Caisse Nat. Tele. 5⅛ 90	0⅛	99⅛	99⅝	21/10	15⅝	15.81
CCCE 5⅛ 2002	0⅛	98	98½	11/12	15⅛	15.65
CEPME 5⅛ 92	0⅛	99⅞	100⅛	10/12	15.44	15.42
Chemical NY 5⅛ 94	§0⅛	98⅛	99⅛	22/12	12⅞	12.60
Credit Agricole 5⅛ 97	0⅛	99⅛	99⅝	24/3	12⅞	12.94
Credit du Nord 5⅛ 92	0⅛	99⅞	100⅛	23/12	16.81	16.81
Credit Lyonnais 5⅛ 97	0⅛	99⅞	99⅞	1/10	16	16.08
Credit Lyonnais 5⅛ 94	0⅛	100⅛	100⅝	1/1	16.94	16.83
Credit Nat. 5⅛ 94	§0⅛	98⅛	98⅝	9/3	12.18	12.32
Ireland 5⅛ 89/94	0⅛	†98	98½	25/11	14⅞	15.01
Kansallis Osake 5½ 92	0⅛	99⅞	100⅛	6/11	15.31	15.33
Lloyds Eurofin 5⅛ 93	§0⅛	99⅞	100⅛	29/10	17½	17.15
Long Term Cred. 5⅛ 92	0⅛	98⅞	99⅛	29/11	14⅛	14.68
J. P. Morgan 5⅛ 87	§0⅛	99	99½	12/11	12.94	13.04
Nat. West. Fin. 5⅛ 91	§0⅛	100⅛	100⅝	15/1	16⅛	16.19
New Zealand 5⅛ 87	0⅛	99½	100	7/10	15.56	15.69
Nippon Credit 5⅛ 90	0⅛	99⅞	99⅞	10/2	13⅞	13.93
Offshore Mining 5⅛ 91	0⅛	99⅞	100⅛	2/12	14.19	14.19
PKbanken 5 91	0⅛	100	100½	17/12	15.81	15.77
Scotland Int. 5⅛ 92	0⅛	98½	99	23/3	13⅛	13.42
Sec. Pacific 5⅛ 91	0⅛	99⅛	99⅝	24/11	16	16.06
Societe Generale 5⅛ 95	0⅛	98⅞	99⅛	1/3	12.81	12.93
Standard Chart. 5⅛ 91	0⅛	99⅛	99⅝	18/11	14⅞	14.95
Sweden 5⅛ 89	0⅛	98⅛	98⅝	28/2	11.81	11.95
Toronto Domin'n 5⅛ 92	0⅛	97⅞	98⅛	11/2	14.31	14.80

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Ajinomoto 5⅛ 96	7/81	933	77⅛	79⅛	−4⅛	8.64
Bow Valley Inv. 6 95	4/81	23.12	98⅛	100⅛	0	42.16
Bridgestone Tire 5½ 96	3/82	470	87½	89⅛	−2	6.37
Canon 6⅞ 95	1/81	736.3	104½	105⅞	−3½	8.83
Canon 7 97	7/82	748.2	114⅛	116⅛	−3⅛	4.99
Chugai Pharm. 7⅛ 96	7/82	709.6	113⅛	115⅛	−2⅛	7.08
Fujitsu Fanuc 4½ 96	10/81	5641	78⅛	80½	−2⅛	28.38
Furukawa Elec. 5⅛ 96	7/81	300	89	91	+1	−0.61
Hitachi Cable 5⅛ 96	2/82	515	86½	88	−4½	1.84
Hitachi Cred. Cpn. 5 96	7/81	1612	65½	67½	−2⅛	17.30
Honda Motor 5½ 97	3/82	826.6	85⅛	86⅛	−4⅛	7.89
Kawasaki 5⅛ 96	8/81	229	58⅛	60⅛	−0⅞	25.76
Marui 6 96	7/81	846.4	93½	95	−4⅛	8.16
Minolta Camera 5 96	10/81	828.4	81	82½	−4⅛	20.43
Minorco 9⅛ 97	5/82	8.16	98⅞	100	−2	2.89
Murata 5⅛ 96	7/81	2768	71⅛	72⅛	−1⅛	27.24
NKK 6½ 96	7/81	198	67½	69	−1	26.87
Nippon Electric 5⅛ 97	2/82	846	92⅛	93⅞	−3⅛	10.22
Orient Finance 5⅛ 97	3/82	1205	82⅛	84⅛	−4⅛	12.17
Sanyo Electric 5 96	10/81	652	65⅛	67	−5	20.03
Sumitomo Elec. 5½ 97	3/82	577.3	87½	89	−2⅛	4.70
Sumitomo Met. 5⅛ 96	10/81	296.1	80⅛	81⅛	−0⅞	60.10
Minebea 6½ 92 SwFr	10/82	557	105⅛	105⅞	+0⅛	0.08
Konishiroku 6⅛ 88 DM	6/82	616	102⅞	103½	+0⅛	14.37
Mitsubishi H. 6 89 DM	2/82	265	90⅞	91½	−0⅞	36.28

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	5,873.0	10,763.9
Previous week	4,737.3	7,563.3
Other bonds		
Last week	834.2	626.2
Previous week	1,028.8	643.8

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 2[illegible]

هكذا صدر الأصل

APPOINTMENTS

Sun Alliance management changes

Mr R. J. Taylor has been appointed an assistant general manager of the SUN ALLIANCE INSURANCE GROUP, responsible for commercial business in the home division. In the life division, Mr P. G. Taylor has been appointed marketing and development manager. Other life division appointments: Mr J. J. Woods, to be life and pensions manager and Mr M. J. Hall to be pensions manager. Mr R. G. B. Howard, underwriting manager, home division, is to retire on November 30.

★

Mr George Price, Prime Minister of Belize, has been appointed a member of the PRIVY COUNCIL.

J. DEGE AND SONS has appointed to the board Mr Peter R. Day, who has been with the company since his apprenticeship.

★

Mr Peter Cornick has been appointed managing director of DAVY COMPUTING. He was previously marketing manager of UCC, U.S.-owned computer bureau concern.

★

Mr Ian Barnard has been appointed technical director in charge of the control and communications department at WS ATKINS AND PARTNERS, Epsom. He was formerly chief engineer, instrumentation and control, within Atkins' engineering and industrial processes division.

★

Mr David Low has been appointed director of software sales of INTELLIGENCE (UK) for UK and Europe in place of Mr John Butler who is going to Houston, Texas, to establish the company's operations in the U.S. Mr Low was managing director of ACT (Microsoft).

★

Ms Gisela Burg, Mr (George) Neville Bowman-Shaw, Mr Richard Mark Evans and Mr C. F. (Fraser) Sedcole have been appointed members of the BRITISH OVERSEAS TRADE BOARD. Ms Burg, is the first woman member of the BOTB and is founder and managing director of Exports Limited, an electronics exporting company she set up in 1968. In 1981 Ms Burg was selected Business Woman of the Year. Mr Bowman-Shaw has been chairman of Lancer Boss Group and a member of its subsidiaries, some overseas, since 1971. Mr Evans has since 1979 been assistant under-secretary of state Foreign and Commonwealth Office. Mr Sedcole is vice-chairman of Unilever.

★

The management structure of NEI's UK operations has been organised into three management groups: Electrical and Industrial Group — managing director, Mr F. S. Gibbs; Power Group—managing director, Mr J. G. Anderson; and Mechanical Group—managing director, Mr J. R. Baker. Mr Baker, previously managing director of NEI Cranes, has been appointed to the board of NORTHERN ENGINEERING INDUSTRIES.

★

Mr Michael A. Edwards, managing director of Leeds and Northrup, has been appointed to a newly-created position as director of European operations for LEEDS & NORTHRUP INTERNATIONAL. He continues as managing director of the UK plant in Birmingham. His increased responsibilities will be directed to subsidiary companies in France, Germany, Spain and Italy.

★

The Educatioo Secretary has made two appointments, both for a period of five years, to the UNIVERSITY GRANTS COMMITTEE. They are Mr Donald Clarke, general manager of Finance for Industry, and Professor Donald Acheson, Professor of Clinical Epidemiology at the University of Southampton.

THE EMPLOYMENT BILL

The Financial Times published a series of articles during March and April looking at Norman Tebbit's Employment Bill. These articles have now been reprinted as a booklet and are available at a cost of 50p (including p&p).

Please send cheques or postal orders payable to Financial Times to:

Nicola Banham, Publicity Department,

Financial Times, Bracken House, 10 Cannon Street,

London EC4P 4BY.

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ZAMBIA COPPER INVESTMENTS LIMITED

(Incorporated in Bermuda)

RESULTS FOR THE YEAR ENDED JUNE 30, 1982

The following are the audited results of the Corporatioo and its subsidiaries for the year eoded June 30, 1982 which should be read in conjunction with the accompanying notes.

	Notes	1982 US$000's	1981 US$000's
Revenues			
Dividend income	2	2,667	5,944
Interest and sundry income		2,487	2,045
		5,154	7,989
Expenses			
Administration		425	625
Exchange loss		2,312	3,049
		2,737	3,674
Earnings before taxes and extraordinary items		2,417	4,315
Foreign taxes (including withholding taxes)		872	1,810
Earnings before extraordinary items		1,545	2,505
Extraordinary items (deficit)	3 & 4	(101,045)	—
Net (loss) earnings		(99,500)	2,505
Retained earnings at beginning of year		3,514	1,009
		(95,986)	3,514
Transfer from share premium	6	101,045	—
Retained earnings at end of year		5,059	3,514

1. In March 1982, Roan Consolidated Mines Limited (RCM), in wbich a 9.8% ioterest was beld, merged with Nchanga Consolidated Copper Mines Limited (NCCM), in which a 40.0% interest was held, and subsequently changed its name to Zambia Consolidated Copper Mines Limited (ZCCM). The Corporation holds a 27.3% interest iu the merged company.

2. Dividend income comprises the final dividends of NCCM and RCM in respect of their financial years ended *March 31, 1981. No dividend income from NCCM and RCM was externalised from Zambia during* the period under review and as at June 30, 1982, the kwecha equivalent, net of withholding taxes, of approximately US$6.4 million of dividend income from NCCM and RCM remained blocked in Zambia.

3. The market valoe of the Corporation's holding in ZCCM as at June 30, 1982 amounted to US$21,033,000 compared with a carrying valne of US$201,553,000. In the light of the very serious economic difficulties at present facing Zambia in general and ZCCM in particular, the directors are of the opinion that there may have been a permanent diminution in the value of the investment in ZCCM and that if such a permanent diminution bas occurred, it is not possible to quantify the amount of such a diminution. Nevertheless the directors have considered it prudent to make a provision of US$100,776,000 or half of the present carrying value, against such a possible permanent diminution in the valoe of ZCCM, which provisioo is considered reasonabla in the circumstances. This provision has been treated as an extraordioary item.

4. In October 1979, this Corporation granted De Beers Consolidated Mines Limited (De Beers) a fixed charge over all its assets as security for certain contingent liabilities undertaken by De Beers at that time io respect of Botswana RST Limited (BRST) and BCL Limited (BCL). Io June 1982, the financial structure of BCL was substantially reorganised and, as a result, certain of the abovementioned contiogent liabilities crystallised aod it is anticipated that others will do so in the foture, although the amounts thereof cannot be reasonably estimated. In conseqoence, at June 30, 1982, this Corporation was obliged to pay to De Beers an amouot of US$341,000 of which US$269,000 has been determined as irrecoverable and treated as an extraordinary item. As at June 30, 1982, the contingent liabilities, excloding the provisioo for the paymeot of interest on such amounts, amounted to the equivalent of US$13,999,000.

5. In the light of tha abovementioned circumstances, the directors have decided oot to declare a dividend in respect of the financial year ended June 30, 1982.

6. Subject to the approval of members at the forthcoming annual geoeral meeting, the deficit on extraordinary items amounting to US$101,045,000 has been covered by a transfer from share premium accouot.

7. The summarised results of ZCCM for the year ended March 31, 1982 are given below. The 1981 comparatives are the combined results of NCCM and RCM.

	1982	1981
Production (tonnes):		
Copper	591,853	587,918
Cobalt	2,686	2,988
Lead and zinc	47,513	43,916
Sales (tonnes):		
Copper	569,995	598,154
Cobalt	2,341	1,294
Lead and zinc	44,800	44,221
Average proceeds (Kwacha per tonne):		
Copper	1,522	1,620
Cobalt	24,904	40,340
Lead and zinc	729	636
Total sales (millions of kwacha)	977.1	1,093.3
Net (loss) Income (millions of kwacha)	(173.6)	56.5
Dividends declared	—	9.5

8. The annual report at June 30, 1982 will be posted to shareholders on October 11, 1982.

Pembroke, Bermuda

September 27, 1982

This announcement appears as a matter of record only.

European Economic Community

Dfls 150,000,000

10½ per cent. Bonds 1982 due 1985/1994

Annual coupons October 15.

Algemene Bank Nederland N.V.
Amsterdam-Rotterdam Bank N.V.

Bank Mees & Hope NV
Pierson, Heldring & Pierson N.V.
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
Nederlandsche Middenstandsbank N.V.
Bank der Bondsspaarbanken N.V.

Banque Paribas
Credit Suisse First Boston Limited
Deutsche Bank Aktiengesellschaft
Kredietbank International Group
Morgan Stanley International
Nomura International Limited
Orion Royal Bank Limited
Société Générale
S.G. Warburg & Co. Ltd.

September, 1982

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Financial Times Photography Exhibition (01-248 8000) (until Oct 30)	Stock Exchange
Sept 26-28	British Footwear Fair (01-739 2071)	Olympia
Sept 27-29	Construction Industry International Exhibition and Conference (01-242 3771)	Imperial College, London
Sept 27-Oct 1	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition (0737 68611)	NEC, Birmingham
Sept 28-Oct 1	Design Engineering Show and Conference—DES (01-747 3131)	NEC, Birmingham
Sept 28-Oct 6	Good Offices Exhibition (01-631 4547)	Cutlers Gardens, EC2
Sept 28-Oct 1	London Business Show (01-647 1001)	Barbican
Oct 3-5	International Spirits and Liqueurs Trade Fair (0272 215206)	Bristol
Oct 6-8	Fashion Fabrics Exhibition—FABREX (01-385 1200)	Olympia
Oct 11-14	London Fashion Exhibition (01-385 1200)	Olympia
Oct 12-14	Viewdata Exhibition (09274 28211)	Wembley Conference Centre
Oct 12-17	London International Building/Home Improvements Exhibition (01-486 1951)	Earls Court
Oct 12-14	Electronics in Oil Exhibition (0483 38085)	Earls Court
Oct 19-21	Bristol Catering Fair (0225 28166)	Exhibition Centre
Oct 20-31	International Motor and Commercial Motor Show (01-235 7000)	NEC, Birmingham
Oct 26-28	Electronic Test and Measuring Instrument Exhibition and Conference—TESTMEX (0822 4671)	Wembley Conference Centre
Nov 2-3	London Printing Show—REPRO WORKSHOP (01-647 1001)	Barbican Exbn Centre
Nov 7-10	Camping and Outdoor Leisure Exhibition (Ruislip 34191)	Harrogate Exbn Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Sept 28-30	International Petroleum Exhibition and Conference OEPC (01-876 2700)	Denver
Sept 30-Oct 7	International Mechanical Handling Equipment Exhibition—INVIA (01-486 1951)	Utrecht
Oct 6-Oct 12	World Fair of Photography, Photo, Cine, Video, Audiovision—PHOTOKINA (01-730 4645)	Cologne
Oct 6-8	Toy and Gift Fair (01-930 7955)	Hong Kong
Oct 6-11	International Book Fair (01-734 0543)	Frankfurt
Oct 11-15	Exhibition for Presenting Defence Systems and Equipment for Land, Sea and Air—DEFENDORY EXPO (01-876 2700)	Athens
Oct 16-20	International Ladies Ready-to-Wear Clothing Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Sept 28	Oyez IBC: Out of the jurisdiction—litigation with an overseas plaintiff or defendant (01-236 4080)	Portman Hotel, W1
Sept 29	Goodfellow Associates: Management of Diving Costs in the '80s (0224 20265)	Holiday Inn, Dyce
Sept 30	CBI: The management of change (01-379 7400)	Centre Point, WC1
Sept 30	IFS: Why are cars so expensive in Britain: causes and consequences (01-828 7545)	Regent Palace Hotel, W1
Oct 1	FPA: Industry North's fire problems (01-248 5222)	Harrogate Conference Centre
Oct 4-7	IFEAT international conference on essential oils and aroma chemicals (01-486 6757)	Royal Garden Hotel, W8
Oct 5-7	Imeche: International conference on diesel engines for cars and light duty vehicles (01-222 7899)	London, SW1
Oct 6	Energy Business Centre: International Energy Projects—the increasing business opportunities (01-439 9021)	Grosvenor House, W1
Oct 7	Association of Chartered Accountants in the U.S.: Seminar on investing in the UK (New York 212 661-1138)	San Francisco
Oct 7-8	The Economist: Can Europe stay in the biotechnology race? (01-839 7000)	Amsterdam
Oct 7-8	DIBC: Sovereign loan rescheduling and other issues in country risk assessment (01-788 1146)	City Conference Centre
Oct 7-8	Xephon: Business Graphics (0628 74922)	Portman Hotel, W1
Oct 12	Croner Conferences: Small business seminar on Health and Safety Law (01-942 8966)	Rolls House, London
Oct 13	FT Conference: Unit Trusts—the way ahead (01-621 1355)	Grosvenor House, W1
Oct 13	Dunn and Bradstreet: Improving telephone sales techniques (01-247 4377)	Manchester
Oct 14-15	FT Conference: World telecommunications (01-621 1355)	Grosvenor House, W1
Oct 25	The Industrial Society: Employee Benefits in 1982/83 (01-839 4300)	3 Carlton House Terrace, SW1
Oct 26	Institute of Taxation: Capital Gains Tax Up-to-Date (01-235 8847)	Royal Air Force Club, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Shopping around—it's all right for some

BY ROBIN REEVES, WELSH CORRESPONDENT

SHOPPING is becoming more difficult for a growing number of urban households because of the growth of superstores and the decline of local shops, according to a report, published today by the Welsh Consumer Council in Cardiff.

The report, draws on the results of a survey of shoppers living in three urban areas in Wales — Cardiff, Rhosllanerchrugog and Treherbert. About one in six households in towns and cities and more than a quarter of retired households in urban Wales—are finding it difficult to get to shops, mainly because of infirmity or lack of transport.

Wales has a higher concentration of superstores than the UK average—one for every 230,000 people compared with one for every 300,000 people in the UK as a whole, according to a March, 1980, survey. At the same time, independent stores in Britain were closed at the rate of 8 per week in 1980.

The Consumer Council accepts that the growth of superstores "which are able to offer a wide range of products at good prices" benefits many consumers.

But the elderly and those without transport of their own are being increasingly subject to a double deprivation: they are being excluded from the most advanced form of retailing and also face a falling standard of local retail provision.

The report calls for frequent, reliable and affordable public transport, and improvements in the competitiveness of local shops.

It also urges more control of the development of superstores, the expansion of delivery services, and the introduction of computer links between superstores and local centres.

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

NORWAY

ITALY

AUSTRALIA

FRANCE

SINGAPORE

SOUTH AFRICA

1982 High	Low	Sept. 24	Price Rand
48.5	29.8	FS Geduld	47.6
96.25	46.25	Gold Fields S.A.	96.25
5.65	3.7	Highveld Steel	5.15
41	23	Kloof	40.75
7.10	4.95	Nedbank	7.05
21.5	14.50	OK Bazaars	20.9
3.7	1.65	Protea Hldgs.	2.3
15.0	8.10	Rembrandt	15.0
6.75	3.5	Rennies	5.0
6.35	2.59	Rust Plat	6.26
3	2.0	Sage Hldgs	2.8
5.17	3.70	SA Brews	5.17
23	16	Tiger Oats	23
9.6	5.5	Tongaat Huletts	7.8
4	2.95	Unisec	3.56

Financial Rand US$0.73¼
(Discount of 15%)

BRAZIL

1982 High	Low	Sept. 24	Price Cruz
1.95	1.13	Acesita	1.13
17.80	9.45	Banco Brasil	12.0
6.70	2.55	Belgo. Min.	2.58
8.25	2.55	Brahma PP	7.24
8.85	6.50	Lojas Amer.	7.90

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

GERMANY

SWEDEN

SWITZERLAND

SPAIN

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

NY. S.E. ALL COMMON

MONTREAL

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Air Prod Chem	1,062,400	29½	− ⅛	Sears Roebuck	570,700	24	+ ⅞
IBM	887,400	76	− ⅞	K Mart	569,000	22	+ ½
El Paso	803,300	19⅝	+ ⅛	Penn Finn	541,700	12¾	+ 1⅞
ATT	611,100	56⅝	− ⅜	Gulf St Ut	535,500	12⅝	− ¼
Chrysler	572,200	8½	+ ⅛	Exxon	532,700	27⅞	—

(**) Saturday Sept 12: Japan Dow (c), TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. ¶ Closed. u Unavailable.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

BY COLIN MILLHAM

Credit shortages and PWLB

Credit shortages were quite severe in the London money market last week, while interest rates continued to hover around 11 per cent. Events in the U.S. regarding the weakness of the economy and above target money supply brought conflicting forces to bear on U.S. rates, but in London the market appears to have settled down to wait for the next cut in bank base rates. Shortages were generally at least £600m a day, and the Bank of England was called upon to give very substantial assistance, including repurchase agreements running into the latter part of next month.

The Friday repurchase agreement was also conducted in a lower interest band of 10 7/16-10½ per cent, against 10¼-10 9/16 per cent. These very large shortages have generally been the result of two major factors: bills maturing in the hands of the Bank of England, and the unwinding of repurchase agreements, by which bills previously sold to the authorities on a temporary basis to relieve market shortages are bought back.

Unwinding repurchase agreements reflect the earlier reluctance of the discount houses to permanently part with high yielding paper, in the hope of lower interest rates. They have been disappointed so far this month, but the rolling over of debt through further "repos" this week is as much a factor of problems over market liquidity as a reflection of the shyness to sell bills outright.

It was hoped that the decision of the Public Works Loan Board to make available variable rate loans to local authorities from August 25, with the option of conversion to a fixed rate, would encourage use of the PWLB for a facility which had previously only been found in the interbank market. In this way it was expected that the liquidity position of the money market would be improved, but at the moment it is not clear how much benefit will accrue from this move. There is certainly no sign of smaller money market shortages yet, although it is probably too early to tell what the final outcome will be. All that can be said at present is that the local authorities do not seem convinced that rates are likely to move significantly lower, and still prefer to take fixed rate money at what they consider to be an attractive rate.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sept. 24	change		Sept. 24	change
LONDON			**NEW YORK**		
Base rates	10⅛	Unch'd	Prime rates	13½	Unch'd
7 day Interbank	10¾	—⅛	Federal funds	10¼-10½	Unch'd
3 mth Interbank	10¾-10⅞	—1/16	3 mth Treasury Bills	7.58	—0.88
Treasury Bill Tender	9.9670	—0.1951	6 Mth. Treasury Bills	9.13	—0.35
Band 1 Bills	10⅝	Unch'd	3 Mth. C D	10.80	—0.50
Band 2 Bills	10½	Unch'd	**FRANKFURT**		
Band 3 Bills	10⅝	Unch'd	Lombard	9.00	Unch'd
6 Mth. Treasury Bills	10 7/16-10⅛	Unch'd	One Mth. Interbank	7.925	Unch'd
1 Mth. Bank Bills	10⅛-10 7/16	Unch'd	Three month	8.075	—0.05
3 Mth. Bank Bills	10 9/16-10 11/16	+ 1/16	**PARIS**		
TOKYO			Intervention Rate	14	Unch'd
One month Bills	7.21875	Unch'd	1 Mth. Interbank	14 1/16	—⅛
Three month Bills	7.21875	Unch'd	Three month	14¼	—⅛
BRUSSELS			**MILAN**		
One month	12⅝	—1/16	One month	18 1/16	Unch'd
Three month	12⅝	Unch'd	Three month	18 1/16	Unch'd
AMSTERDAM			**DUBLIN**		
One month	7 1/16	—¼	One month	15¼	—⅛
Three month	7 1/16	—⅛	Three month	15¼	—⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 10¾.

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 24	Sept 17		Sept. 24	Sept 17
Bills on offer	£100m	£100m	Top accepted rate of discount	10.0074%	10.1077%
Total of applications	£594.72m	£366.02m	Average rate of discount	9.9670%	10.0701%
Total allocated	£100m	£100m	Average yield	10.22%	10.33%
Minimum accepted bid	£97.505	£97.48	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	76%	2%			

* 91-day bills. 92-day bills £97.48; and 93-day bills £97.455.

FT LONDON INTERBANK FIXING

6 months U.S. dollars	
bid 11 3/4	offer 11 7/8
6 months U.S. dollars	
bid 10 5/8	offer 12 1/2

The fixing rates (Sept 24) are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Sept. 24 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	7-10½	10¾-10⅞	—	—	10¾-11¼	9-10⅞	—	—	—
2 days notice	—	—	10¾-10⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10¾-11	10¾-10⅞	—	—	—	10½-10⅝	—	—	—
One month	11-10⅞	10 13/16-11 1/16	10⅞	11⅛-11⅛	10⅞	11⅛-11¼	10½	10½	10½-10⅝	11 1/16
Two months	10⅞-10¾	10 15/16-11	10⅞	11⅛-10¾	11	11¼	10⅛-10¼	10⅜	10 7/16-10 15/32	10 15/16
Three months	10¾-10⅝	10¾-10⅞	10⅞	11-10⅝	11	11¼	10	10 9/16-10⅛	10 9/16-10 11/16	10 9/16
Six months	10 13/16-10 11/16	10 15/16-11	10⅞	10¼-07⅞	11	11¼	—	—	10-10 1/16	10⅝
Nine months	10 15/16-10 13/16	10⅞-11	—	10¾-10⅝	11	—	—	—	—	—
One year	10 15/16-10 13/16	10⅞-11	10⅞	10⅝-10⅜	11	—	—	—	—	—
Two years	—	—	11⅛	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance. Scheme IV Average Rate for interest period 4 August to 7 September 1982 (inclusive): 11.097 per cent.

Local authorities and finance houses seven days' notice others seven days fixed. Long-term local authority mortgage rates, nominally three years 11⅛ per cent; four years 11¼ per cent; five years 11⅜ per cent. ◆ Bank bill rates in table are buying rates for prime papers. Buying rate for four-month bank bills 10 5/32-10 9/16 per cent; four-month trade bills 10 25/32 per cent.

Approximate selling rate for one-month Treasury bills 10⅜-10 13/32 per cent; two months 10¼ per cent and three months 9 15/16-10 per cent. Approximate selling rate for one-month bank bills 10 13/32-10 15/32 per cent; two months 10⅜-10 9/32 per cent and three months 10 5/16-10⅜ per cent; one-month trade bills 10 29/32 per cent; two months 10 11/16 per cent; three months 10 27/32 per cent.

Finance House Base Rates (published by the Finance Houses Association) 12 per cent from September 1 1982. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Clearing Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.9670 per cent. Certificate of Tax Deposit (Series 5) 11 per cent from August 18. Deposits withdrawn for cash 9 per cent.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	10¾-11	10⅝-10⅞	12¼-13¼	7⅛-7¼	1¾-2¼	7 1/16-7 3/16	14-14½	16½-18	11-12	11¼-11¾	6¼-6½	22½-24
7 day's notice	10⅞-11	10¾-11⅛	12¼-13¼	7⅛-7¼	6¾-7¼	7 1/16-7 3/16	15-16	16½-18	11½-12½	12-18¼	6¾-6⅞	21¾-23¼
Month	10 9/16-11 1/16	11⅛-11⅜	13¼-13½	7 3/16-7 5/16	4-4⅛	7⅝-7 11/16	17⅞-18⅝	18-18	12½-13½	12⅜-12⅝	7-7⅛	24¾-26¼
Three months	10 11/16-10 13/16	11⅜-11½	13⅛-13⅝	7⅝-7¾	4 1/16-4 3/16	7⅝-7 11/16	19¼-19¾	19⅞-20⅝	13-14	12⅝-12⅞	7¼-7⅜	21⅛-22⅝
Six months	10 15/16-11 1/16	12¼-12½	13⅝-13⅞	8⅛-8¼	5-5⅛	8-8⅛	19¾-20¼	21⅛-21⅝	13½-14½	13⅛-13⅜	7 1/16-7 3/16	20¼-21¾
One Year	10⅞-11	12 5/16-12 9/16	14-14¼	8 5/16-8 7/16	4 13/16-5 1/16	8-8⅛	20-20½	21½-20	13½-14¼	13⅜-13⅝	7½-7⅝	18½-20

SDR linked deposits: one-month 10 7/16-10 13/16 per cent; three months 10 15/16-11 5/16 per cent; six months 11 7/16-11 13/16 per cent; one year 11⅝-12 per cent. ECU linked deposits: one-month 11⅛-11½ per cent; three months 11 11/16-12 1/16 per cent; six months 12¼-12½ per cent; one-year 12½-12½ per cent.

Asian $ (closing rates in Singapore): one-month 11 5/16-11 7/16 per cent; three months 11¾-11⅞ per cent; six months 12 7/16-12 9/16 per cent; one year 12⅝-12⅞ per cent. Long-term Eurodollar: two years 13¾-13⅞ per cent; three years 14-14¼ per cent; four years 14⅛-14⅜ per cent; five years 14¼-14½ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one-month 10.60-10.70 per cent; three months 10.95-11.05 per cent; six months 11.45-11.55 per cent; one year 12.20-12.40.

CURRENCIES AND GOLD

Dollar very firm

The problem of a depressed economy and money supply well above target tended to pull U.S. interest rates in opposite directions last week, but the end result produced a firmer dollar. A rise of $4.3bn in U.S. M1 money supply for the figures published the previous Friday was not as bad as some observers had expected, but an expected reduction of about $1bn in last Friday's figure was not enough to convince the market that the Federal Reserve has the money supply under control.

On the other hand the sharp fall in the U.S. durable goods index underlined the weakness of the economy, and with inflation now down to 5.9 per cent, points towards the need for much lower interest rates.

Strong demand for U.S. bonds around the middle of the week, and the success of the four-year note auction, was also prompted by the belief that on balance U.S. interest rates are likely to fall. Despite this, the dollar finished the week very firm, rising to the highest level for five years against the Japanese yen, and the highest for one year against the Swiss franc. It rose to Y266.35 from Y262.75, and to SwFr 2.1645 from SwFr 2.1325. The U.S. currency also improved to DM 2.5145 from DM 2.4990 against the D-mark, and to FFr 7.0950 from FFr 7.07 in terms of the French franc. The dollar's trade-weighted index, on Bank of England figures, rose to 123.1 from 122.1.

Sterling's index rose to 91.8 from 91.6, but the pound fell to $1.7080 from $1.7130. It was firm against most other currencies however, rising to DM 4.2950 from DM 4.2825; to FFr 12.1175 from FFr 12.1050; to SwFr 3.6950 from SwFr 3.6550; and to Y455.0 from Y450.50.

Gold had a fairly quiet week, but lost ground as the dollar gained strength. The metal finished at $427½-428½ on Friday, a fall of $13½ on the week.

THE DOLLAR SPOT AND FORWARD

Sept 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7035-1.7105	1.7075-1.7085	0.05-0.10c dis	−0.53	0.42-0.52dis	−1.10
Ireland†	1.3535-1.3615	1.3590-1.3615	0.47-0.42c pm	3.93	1.20-1.05 pm	3.31
Canada	1.2320-1.2340	1.2325-1.2335	0.25-0.28c dis	−2.58	0.47-0.50dis	−1.57
Nethlnd.	2.7520-2.7610	2.7520-2.7540	0.87-0.77c pm	3.57	2.80-2.70 pm	3.99
Belgium	48.61-48.73	48.61½-48.63½	5-7c dis	−1.48	18-20 dis	−1.48
Denmark	8.7900-8.8225	8.7900-8.7950	6¼-7¼ore dis	−8.62	12¾-13¾ dis	−3.89
W. Ger.	2.5105-2.5205	2.5140-2.5150	0.79-0.74pf pm	3.65	2.61-2.56 pm	4.11
Portugal	87.70-88.20	87.90-88.20	80-200c dis	−18.08	200-590dis	−17.94
Spain	113.35-113.80	113.35-113.45	80-90c dis	−8.98	310-340dis	−11.45
Italy	1,414½-1,417½	1,414½-1,415½	8-9 lire dis	−7.20	28-30 dis	−8.18
Norway	6.9440-6.9545	6.9450-6.9500	1.30-1.70ore dis	−2.59	5.00-5.40dis	−2.99
France	7.0700-7.1200	7.0925-7.0975	4-4½c dis	−7.18	13½-14½ dis	−7.88
Sweden	6.2540-6.2760	6.2625-6.2675	1.95-2.15ore dis	−3.92	5.45-5.65dis	−3.54
Japan	265.80-267.55	266.30-266.40	1.00-0.85y pm	4.17	3.05-2.90 pm	4.47
Austria	17.65-17.72½	17.65½-17.66½	5¾-4¼gro pm	3.22	17-14½ pm	3.56
Switz.	2.1500-2.1715	2.1640-2.1650	1.35-1.27c pm	7.26	4.06-3.98 pm	7.43

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 50.60-50.70.

THE POUND SPOT AND FORWARD

Sept 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7035-1.7105	1.7075-1.7085	0.05-0.10c dis	−0.53	0.42-0.52dis	−1.10
Canada	2.1000-2.1075	2.1040-2.1060	0.40-0.50c dis	−2.56	1.33-1.43dis	−2.62
Nethlnd.	4.69½-4.72½	4.69¾-4.70¾	1½-1c pm	3.19	3¼-3⅛ pm	2.98
Belgium	83.00-83.40	83.00-83.10	7-17c dis	−1.73	45-55 dis	−2.41
Denmark	15.01-15.06	15.02-15.03	11⅞-13¾ore dis	−10.03	25½-28⅞ dis	−6.97
Ireland	1.2540-1.2590	1.2565-1.2575	0.42-0.51p dis	−4.44	1.29-1.47dis	−4.39
W. Ger.	4.28-4.31	4.29-4.30	1⅛-⅞pf pm	3.14	3½-3 pm	3.03
Portugal	148.75-150.70	150.20-150.70	140-350c dis	−19.54	375-1050dis	−18.94
Spain	193.30-194.30	194.00-194.20	140-175c dis	−9.74	575-675dis	−12.88
Italy	2,415-2,423	2,417-2,418	14-17 lire dis	−7.69	54-58 dis	−9.26
Norway	11.84-11.88	11.86-11.87	2½-3¾ore dis	−0.10	11½-12¾ dis	−4.07
France	12.09-12.16	12.10½-12.13	6¾-8¾c dis	−7.67	26½-30½ dis	−8.41
Sweden	10.67-10.71	10.70-10.71	3½-4½ore dis	−4.20	12-12¾ dis	−4.62
Japan	452-457	454½-455½	1.50-1.30y pm	3.68	4.00-3.80 pm	3.43
Austria	30.10-30.30	30.18-30.23	7½-4¾gro pm	2.38	19¾-14½ pm	2.27
Switz.	3.67½-3.70½	3.69-3.70	2¾-1⅞c pm	8.90	6⅞-5⅞ pm	6.36

Belgian rate is for convertible francs. Financial franc 85.45-86.55. Six-month forward dollar 1.34-1.39c dis. 12-month 3.10-3.25c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7080	1.7088	1.7127	1.7211	1.7388
D-Mark	4.2950	4.2838	4.2625	4.2382	4.1838
French Franc	12.1175	12.1950	12.4025	12.6661	—
Swiss Franc	3.6950	3.6738	3.6363	3.5900	3.4947
Japanese Yen	455.0	453.8	451.0	447.8	440.6

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.5845	+1.37	+1.07	±1.5501
Danish Krone	8.23400	8.22300	−0.01	−0.31	±1.6430
German D-Mark	2.33379	2.35362	+0.85	+0.55	±1.0888
French Franc	6.61387	6.65144	+0.57	+0.27	±1.3940
Dutch Guilder	2.57971	2.57869	−0.04	−0.34	±1.5004
Irish Punt	0.691011	0.689380	−0.24	−0.54	±1.6691
Italian Lira	1350.27	1325.37	−1.84	−1.84	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

GOLD MARKETS

	Sept. 24		Sept. 23	
Gold Bullion (fine ounce)				
Close	$427½-428½	(£250½-251)	$437-438	(£254½-255)
Opening	$438-450	(£256¾-257¼)	$437-438	(£255¼-255¾)
Morning fixing	$438.50	(£256.658)	$437.25	(£254.823)
Afternoon fixing	$431	(£252.490)	$435.85	(£254.734)

Gold Coins Sept. 24					
Krugrnd	$436½-438	(£255¾-256½)	King Sov	$103-105	(£60¼-61¼)
½ Krug	$227½-228½	(£133¼-133¾)	Victoria Sov	$103-105	(£60¼-61¼)
¼ Krug	$116-117	(£68-68½)	French 20s	$85-87¼	(£49¾-51)
1/10 Krug	$47½-48½	(£27¾-28½)	50 pesos Mex	$510-521	(£304-305)
Mapleleaf	$438½-441½	(£257½-258½)	100 Cor. Aust	$414½-420	(£242¾-246)
New Sov	$101¼-102¼	(£59¼-59¾)	$20 Eagles	$460-465	(£269¼-270¼)
½ New Sov	$60-62	(35¼-36¼)			

OTHER CURRENCIES

Sept. 24	£	$		£ Note Rates
Argentina Peso	47.730†	27.820†	Austria	30.05-30.35
Australia Dollar	1.7880-1.7900	1.0475-1.0480	Belgium	86½-87½
Brazil Cruzeiro	352.15-353.15	206.20-207.23	Denmark	14.09-15.13
Finland Markka	8.2370-8.2550	4.8265-4.8285	France	12.09-12.19
Greek Drachma	119.197-122.815	71.06-71.30	Germany	4.27½-4.31½
Hong Kong Dollar	10.44-10.45½	6.1240-6.1290	Italy	2380-2425
Iran Rial	145.95*	85.10*	Japan	455-460
Kuwait Dinar (KD)	0.49585-0.49650	0.29075-0.29085	Netherlands	4.68¼-4.72¼
Luxembourg Fr.	83.00-83.10	48.615-48.635	Norway	11.81-11.91
Malaysia Dollar	4.0325-4.0425	2.3655-2.3685	Portugal	148-156
New Zealand Dlr.	2.3635-2.3685	1.3850-1.3870	Spain	189½-202
Saudi Arab. Riyal	5.8650-5.8705	3.4300-3.4400	Sweden	10.66-10.76
Singapore Dollar	3.7075-3.7175	2.1750-2.1780	Switzerland	3.67-3.71
Sth. African Rand	1.9650-1.9675	1.1505-1.1520	United States	1.69¾-1.71¾
U.A.E. Dirham	6.2605-6.2700	3.6710-3.6740	Yugoslavia	117-130

† Rate shown for Argentina is commercial. Financial rate 66,428-66,458 against sterling. 38,950-39,000 against dollar. * Selling rate.

CURRENCY MOVEMENTS

Sept. 24	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.8	—31.7
U.S. dollar	105.1	+12.8
Canadian dollar	90.3	—17.5
Austrian schilling	117.5	+26.0
Belgian franc	93.8	—3.0
Danish kroner	81.4	—14.9
Deutsche mark	125.2	+50.1
Swiss franc	143.8	+94.3
Guilder	117.1	+04.9
French franc	72.8	—21.0
Lira	55.6	—58.6
Yen	128.0	+22.7

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 24	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.629781	0.548235
U.S. $	10	1.07598	0.935854
Canadian $	13.16	*	1.15388
Austria Sch.	5¾	19.0255	16.5455
Belgian F	10½	52.4083	45.5845
Danish Kr.	11	9.46960	8.23300
D mark	7	2.70555	2.35362
Guilder	7	2.96540	2.57869
French F.	9½	7.64376	6.65144
Lira	18	n.a.	1325.37
Yen	5½	286.673	249.634
Norwgn. Kr.	9	7.47035	6.50077
Spanish Pts.	8	122.058	106.170
Swedish Kr.	10	6.73778	5.86019
Swiss Fr.	5	2.32272	2.02262
Greek Dr'ch.	20½	76.7873	66.7998

* CS/SDR rate for Sept 22: 1.32701.

EXCHANGE CROSS RATES

Sept. 24	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.708	4.295	455.0	12.111	3.695	4.703	2418.	2.106	83.95
U.S. Dollar	0.586	1.	2.515	266.4	7.095	2.166	2.753	1416.	1.232	48.62
Deutschemark	0.233	0.398	1.	105.9	2.821	0.860	1.095	563.0	0.490	19.34
Japanese Yen 1,000	2.198	3.754	9.440	1000.	26.63	8.121	10.34	5314.	4.626	182.5
French Franc 10	0.825	1.410	3.544	375.5	10.	3.049	3.881	1995.	1.737	68.54
Swiss Franc	0.271	0.460	1.162	123.1	3.279	1.	1.273	654.4	0.570	22.48
Dutch Guilder	0.213	0.365	0.913	96.76	2.577	0.786	1.	514.2	0.448	17.66
Italian Lira 1,000	0.414	0.706	1.770	188.2	5.011	1.528	1.945	1000.	0.871	34.35
Canadian Dollar	0.475	0.811	2.040	216.2	5.757	1.755	2.234	1149.	1.	39.45
Belgian Franc 100	1.204	2.057	5.172	547.9	14.59	4.449	5.660	2011.	0.535	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

هكذا من الأصل

INSURANCES

INSURANCE & OVERSEAS MANAGED FUNDS

OFFSHORE AND OVERSEAS

Granville Management Limited
P.O. Box 73, St. Helier, Jersey. 0534 73933

Granville Inv. Tst.	6.53	6.98	.....	4.68

Next dealing day Sept 25.

Guinness Mahon Int. Fund (Guernsey)
PO Box 188, St. Peter Port, Guernsey. 0481 23506.

US$ Price	19.42	20.15	.....	8.92
£ Sterling Equivalent	11.32	11.75	.....	10.45
S.D.R. Equivalent	17.96	18.63	.....	4.37

Prices at Sept. 16. Next dealing Sept. 30.

Hambro Pacific Fund Mgmt. Ltd.
2110, Connaught Centre, Hong Kong

Far Eastern Sept 22	HK$20.59	22.11	.....	—
Japan Fund Sept 25	$8.39	9.00	-0.08	—

Hambros Fd. Mgrs. (C.I.) Ltd.
P.O. Box 86, Guernsey. 0481-26521

Capital Reserve Fd.†	[illegible]	[illegible]	.....	[illegible]
C.I. Fund	[illegible]	[illegible]	.....	[illegible]
Special Sits. Fund	[illegible]	[illegible]	.....	[illegible]
Sterling Income Fund*	[illegible]	[illegible]	.....	[illegible]
Dollar Income Fund	[illegible]	[illegible]	.....	[illegible]
Trans. Nat. Trust	[illegible]	[illegible]	.....	[illegible]
Intnl. Bond	[illegible]	[illegible]	.....	[illegible]
Int. Equity	[illegible]	[illegible]	.....	1.78
Int. Svgs. 'A' $US	[illegible]	[illegible]	.....	—
Int. Svgs. 'B'	[illegible]	[illegible]	.....	—
Galleon Ass. Fund 'A'	[illegible]	[illegible]	.....	—
Galleon Ass. Fund 'B'	[illegible]	[illegible]	.....	—

†Excludes initial charge on small orders.

Henderson Admin. & Man. (Guernsey)
7 New St., St. Peter Port, Guernsey 0481 26541/2

American (US cents)	125.4	132.0	.....	—
Nat. Res. (U.S. cents)	106.7	112.3	.....	—
Gilt Fund	£10.40	11.05	-0.03	11.40

Henderson Baring Group
901, Gloucester Tower, 11, Pedder St., Hong Kong.

Australia*	[illegible]	[illegible]	+0.49	—
Japan Tech.	[illegible]	[illegible]	.....	—
Japan Fund	[illegible]	[illegible]	.....	—
Malay Sing.	[illegible]	[illegible]	.....	—
Pacific Fd.	[illegible]	[illegible]	.....	—
Bond Fd.	[illegible]	[illegible]	[illegible]	10.88

Weekly dealings.

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., St. Peter Port, Guernsey, C.I.

Guernsey Tst.	228.3	244.2	+1.2	3.26

Hill Samuel Investment Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 76029

UK Equities (C.I. Fd.)	154.7	165.6	.....	3.50
UK Gilt (Jy. Fxd. Int.)	104.0	110.0	.....	11.25

Quest Fund Man. (Jersey) Ltd.
P.O. Box 194, St. Helier, Jersey. 0534 27441.

Quest Stlg. Fxd. Int.	[illegible]	[illegible]	.....	[illegible]
Quest Intl. Secs.	[illegible]	[illegible]	.....	[illegible]
Quest Intl. Bd.	[illegible]	[illegible]	.....	[illegible]

Prices on Sept 22. Next dealing Sept 29.

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481-26741.

O.C. America Fd.*	[illegible]	2.45	.....	[illegible]
O.C. Sm. Co.***	[illegible]	[illegible]	.....	[illegible]
O.C. Commodity†	[illegible]	[illegible]	.....	[illegible]
O.C. Dir. Comdty.*	[illegible]	[illegible]	.....	2.98
O.C. Hong Kg. Fd.††	[illegible]	[illegible]	.....	—

Samuel Montagu Ltd. (Sailor/Helmold Commodities)
31-45, Gresham Street, EC2V 7LH. 01-600 4177

Next dealing date Oct. 1.

RBC Investment Managers Limited
PO Box 246, St. Peter Port, Guernsey. 0481-23021.

Intl. Income Fd.	[illegible]	[illegible]	.....	—
Intl. Capital Fd.	[illegible]	[illegible]	[illegible]	—
North America Fd.	[illegible]	4.79	.....	—

Ramince Managers Ltd.
P.O. Bx. 1549, Hamilton, Bermuda. (809-29) 2-7979

Ramince Sept. 6	$8.86	9.13	.....	—

Richmond Life Ass. Ltd.
4 Hill Street, Douglas, I.O.M. 0624 23914

Coin Trust	[illegible]	[illegible]	.....	—
Diamond Bond	[illegible]	[illegible]	.....	—
Gold Bond	[illegible]	[illegible]	+2.5	—
Managed Fund	[illegible]	[illegible]	.....	—
Petroman Oil Trust	[illegible]	[illegible]	.....	13.90
Do. $	[illegible]	[illegible]	.....	13.90
Sapphire Trust	[illegible]	[illegible]	.....	—
Silver Trust	[illegible]	[illegible]	+0.6	—
Sterling Deposit Bd.	[illegible]	[illegible]	.....	9.28
UK Gilt Fund	[illegible]	161.9	.....	—

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
5Jul 5Ja	Exch. 8¾pc 1983	99¾	[illegible]	8.77	9.36
21Aug 21F	Exch. 3pc 1983	97⅞	[illegible]	3.07	8.49
17S 17Mar	Treasury 12pc 1983‡‡	101⅛	[illegible]	11.87	9.56
18Ja 18Jul	Treasury 9¾pc '83	99½	[illegible]	9.90	9.84
22May 22N	Exch. 13½pc '83	103½	[illegible]	13.04	10.10
12Jun 12D	Exch. 10pc 1983	100	[illegible]	10.00	9.94
15Jul 15Ja	Funding 5½pc '82-84‡‡	96½	[illegible]	5.70	8.35
20Aug 20F	Exch. 11¼pc 1984	102	[illegible]	11.03	9.62
22N 22May	Exchequer 14pc 1984	105	[illegible]	13.33	10.57
19D 19Jun	Exch. 3pc 1984	92½	[illegible]	3.24	7.71
26Mar 26S	Treasury 12pc 1984	103xd	[illegible]	11.65	10.30
22Aug 22F	Treasury 15pc 1985	108⅝	[illegible]	13.81	10.78
22S 22Mar	Exch. 12pc Cnv. '85	104½xd	16.8	11.48	9.93
21N 21My	Treasury 3pc 1985	88½	14.4	3.39	7.89
15Jan 15Jul	Treasury 11½pc 1985	102	8.6	11.27	10.63
22May 22N	Exch. 12¼pc 1985	103⅝	15.4	11.85	10.92
25 Aug. 25F	Exch. 11¾pc '86	102⅝	19.7	11.48	10.87
19N 19May	Treasury 3pc 1986	85¾	13.4	3.50	7.54
12D 12Jun	Treasury 12pc '86	103⅜	6.5	11.61	10.04
10Ja 10Jul	Treasury 8¼pc '84-86‡‡	96½	3.6	8.81	9.60
14Ja 14Jn	Treas. 12¼pc '86 Cnv.	108½	—	11.29	9.52
29Apr 29Oct	Exch. 14pc 1986	110¼xd	—	12.71	10.89
22Jul 22Jan	Exch. 13¼pc 1987	108	15.6	12.27	10.85
—	Exch 10½pc '87 (£40pd)	40⅞	—	10.54	10.60
1N 1May	Funding 6½pc '85-87‡‡	90⅝	9.8	7.15	8.96
14Ja. 14Jul	Treasury 3pc 1987	82½	—	3.64	7.40

Five to Fifteen Years

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
3 May 3N	Treas. 12pc 1987	107	29.3	11.75	11.40
5 May	Treas 12pc 1987 'A'	104¾	—	11.71	11.35
26Jul 26Ja	Treasury 7¾pc '85-88‡‡	94⅛	21.6	8.34	9.46
—	Exch 10½pc '88 (£20pd)	£96	—	10.94	11.49
1Ja 1Jul	Transport 3pc '78-88	75¾	25.5	4.00	8.58
22Aug. 22F	Treasury 11½pc 1989	99½	16.7	11.69	11.85
15Ap 15Oct	Treasury 5pc '86-89	78xd	8.9	6.39	9.27
15Jul. 15Ja.	Treasury 13pc 1990‡‡	107¾	8.6	12.37	11.90
22Sept 22Mar	Exch. 12½pc 1990	102⅞xd	16.8	12.41	11.93
15D 15Jun	Treasury 8¼pc '87-90‡‡	91¼	10.5	9.23	10.26
10Jul 10Ja	Treasury 11¾pc 1991	101¾	3.6	11.90	11.97
5Oct. 5Ap.	Funding 5¾pc '87-91‡‡	76¾xd	1.9	7.48	9.82
25Ap. 25Oct.	Exch. 11pc 1991	95½xd	20.9	11.42	11.67
22Jul. 22Ja.	Treasury 12¾pc '92‡‡	106⅛	15.6	12.20	11.91
21Aug. 21Fb.	Treasury 10pc 1992	93½	15.7	10.81	11.30
25Fb. 25Aug.	Exch. 12¼pc '92	102⅛	15.6	12.04	11.93
22Mar. 22S	Exchequer 13½pc '92	108¾xd	16.8	12.43	12.00
14Ja. 14Jul.	Treasury 12½pc '93‡‡	106	7.6	12.09	11.91
15Mar. 15S	Funding 6pc 1993‡‡	73⅝	9.8	8.17	10.05
23May 23N	Treasury 13¾pc 1993‡‡	115⅝	16.4	12.41	11.94
1S 1Mar	Treasury 14½pc '94‡‡	116¾	26.7	12.53	11.94
27O 27Ap	Exchequer 13½pc 1994	108⅞xd	20.9	12.32	11.96
22F 22Aug	Exch. 12½pc 1994	104¾	16.7	12.08	11.93
17May 17N	Treasury 9pc '94‡‡	90⅞	13.4	10.27	10.85
25Jul 25Ja	Treasury 12pc '95	103¾	21.12	11.86	11.80
1N 1May	Gas 3pc '90/95	55⅝	25.3	5.51	9.18
21Ja 21Jul	Exch. 10¼pc 1995	93¾	14.6	11.16	11.47
15May 15N	Treasury 12¾pc '95‡‡	111½	8.4	11.94	11.71
22Jul. 22Ja.	Treas. 14pc '96	116¼	15.6	12.26	11.85
15S 15Mar	Treasury 9pc '92/96‡‡	87½	9.8	10.32	10.83
3N 3May	Treasury 15¼pc '96‡‡	128¾	29.3	12.44	11.85
15N 15May	Exchequer 13¼pc '96‡‡	115⅝	8.4	11.97	11.65
1Ap 1Oct	Redemption 3pc 1986-96	51¾xd	25.8	5.78	9.16
22Jul 22Ja	Treasury 13¼pc '97‡‡	113¾	15.6	11.90	11.59
21Aug 21F	Exchequer 10½pc 1997	95½	15.7	11.12	11.28
1Mar 1S	Treasury 8¾pc 1997‡‡	85¾	26.7	10.28	10.77

Over Fifteen Years

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
27Ap 27Oct	Exch. 15pc 1997	121¾xd	—	12.20	11.73
1N 1May	Treasury 6¾pc '95-98‡‡	74¼	[illegible]	9.44	10.50
30Mar 30S	Treas. 15½pc '98‡‡	127xd	[illegible]	12.19	11.71
20May 20N	Exch. 12pc 1998	108	[illegible]	11.57	11.47
15Jul 15Ja	Treasury 9½pc 1999‡‡	91½	[illegible]	10.61	10.87
26S 26Mar	Exch. 12¼pc 1999	105⅞xd	[illegible]	11.57	11.46
19N 19May	Treasury 10½pc 1999	98¼	[illegible]	11.11	11.23
14Ja 14Jul	Treas. 13pc 2000	115⅝	[illegible]	11.69	11.49
22N 22May	Treas. 14pc '98-01	122¼	[illegible]	11.93	11.57
22Jul 22Ja	Exch. 12pc '99-02	106¾	[illegible]	11.48	11.36
25Ja 25Jul	Treas. 13¾pc 2000-03	118¾	[illegible]	11.82	11.56
19S 19Mar	Treasury 11½pc '01-04	103⅛	[illegible]	11.15	11.10
14Ja 14Jul	Funding 3½pc '99-04	44¼	[illegible]	7.95	9.73
21May 21N	Treasury 12½pc '03-05	114⅛	[illegible]	11.38	11.26
5Ap 5Oct	Treasury 8pc '02-06‡‡	78½xd	[illegible]	10.22	10.49
22Jul 22Ja	Treasury 11¾pc 03-07	106⅝	15.6	11.25	11.17
26S 26Mar	Treas. 13½pc '04-08	117¾xd	[illegible]	11.47	11.30
10Mar 10S	Treasury 5½pc '08-12‡‡	56¾	[illegible]	9.74	10.16
26Jul 26Ja	Treasury 7¾pc '12-15‡‡	76⅝	[illegible]	10.29	10.42
12 Jun 12D	Exch. 12pc '13-'17	112⅞	[illegible]	10.97	10.93

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INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov.	June	Jardine M. SHK5	163	25.4	t092c	[illegible]	5.4	0.2
July	Jan.	Jenks & Cattell.	20	23.12	g1.0	—	7.1	—
Oct.	Apr.	Johnson Clnrs.	262	6.9	♦17.7	[illegible]	4.2	14.6
Feb.	Aug.	Johnson Mthy. £1	260	21.6	10.0	[illegible]	5.5	(9.6)
Jan.	July	Johnston Grp. 10p.	170	17.5	4.0	6.3	3.2	7.0
Oct.	June	Jourdan (T.) 10p.	72	2.8	5.25	[illegible]	10.4	(25.2)
May	Dec.	Kalamazoo 10p	39	19.4	2.5	0.8	9.2	18.1
Feb.	July	Kelsey Inds.	140	7.6	8.0	2.2	8.2	8.0
Oct.	April	Kennedy Sm. 10p	163	6.9	5.5	[illegible]	4.8	ϕ
Nov.	April	Kershaw (A.) 5p.	170xd	21.9	21.75	[illegible]	18.3	(27.9)
Jan.	Aug.	Kleen-E-Ze Hldgs.	39	16.8	3.0	[illegible]	11.0	ϕ
Jan.	Aug.	L.C.P. Hlds.	46	21.6	3.6	[illegible]	11.2	(10.2)
Oct.	April	L.R.C. Int. 10p.	78½	16.8	2.75	2.8	5.0	13.3
Dec.	May	Lawtex	30	23.11	‡1.5	—	‡	—
Mar.	Oct.	Lep Group 10p.	435	16.8	17.5	1.7	5.7	(12.7)
Oct.	July	Lilleshall 10p	25	38.6	‡2.5	—	‡	—
July	Oct.	Lon. & Liv. 10p	63	6.9	2.45	2.4	5.6	9.2
Jan.	Sept.	London & Mid'd.	92	16.8	7.75	0.9	12.0	(13.5)
Jul.	Dec.	Lon. & Nthn. Grp.	51	7.6	3.75	2.1	10.5	5.4
—		♦Lon. Priv. Health	36	—	—	—	—	ϕ
Jan.	June	Long Hmbly. 10p.	9	12.79	B—	—	—	—
Apr.	Oct.	Longton Inds.	42	6.9	1.0	—	3.4	—
Aug.	Apr.	Lonsdale Univrsl.	65	15.2	♦1.0	0.9	2.2	(73.3)
Dec.	June	Low & Bonar 50p	76	15.3	†7.0	0.6	13.5	(25.0)

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Dec.	Apr.	LWT "A"	163	19.4	†10.07	1.7	8.8	0.4
—		♦Leisure Inds.	139	5.7	g5.0	3.8	5.1	6.5
Jan	Jul	Leisuretime Int 10p.	72	16.8	0.9	[illegible]	1.8	ϕ
June	Jan.	Mognt. Ag. H. 10p.	103	7.6	8.75	[illegible]	12.1	7.6
Apr.	Dec.	Medminster 10p.	56	15.3	3.7	2.4	9.4	6.3
—		♦Nimslo Int 20c.	140	—	—	—	—	—
Jan.	Sept.	Norton & Wrt. 10p	60	23.12	d2.0	0.5	4.9	(31.5)
—		♦Owners Abroad	24	—	⊕0.35	4.5	2.1	14.9
Jan	June	Photax (Lon.)	63	30.4	5.5	1.3	7.7	4.7
Sept.	Apr.	Pleasurama 5p.	288	2.8	††4.75	5.3	2.4	11.0
—		♦Radio City 'A' NV	105	—	b5.6	1.5	7.5	12.0
July	Jan	Riley Leisure 10p	98	23.11	54.1	1.7	6.0	14.2
Apr.	Nov.	Saga Hols. 20p.	145	29.3	†h3.73	4.6	5.7	(9.3)
May	Dec.	Samuelson 20p.	175	15.2	d8.77	—	7.2	—
Oct	May	Scott. TV 'A' 10p	100	29.3	7.0	3.8	10.0	3.7
—		♦SelecTV 10p.	27	—	—	—	—	—
—		TSW 5p	14	—	H0.6	—	6.1	—
—		♦TVS N/Vtg 10p.	48	—	—	—	—	—
Oct	Apr	Trident TV 'A' 10p.	63	19.7	4.26	2.1	9.7	6.4
—		21st Century Dist. Con.	190	—	—	—	—	—
April	Sept	Webb (Jos.) 5p.	19	2.8	d0.51	2.2	5.8	(11.0)
Apr.	Nov.	Zetters 5p	72xd	21.9	2.75	ϕ	5.5	ϕ

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FINANCIAL TIMES

Monday September 27 1982

Argentina in talks to sort out foreign debt

By Peter Montagnon in London and Jimmy Burns in Buenos Aires

ARGENTINA has begun intensive discussions with leading international bank creditors aimed at putting its $37bn foreign debt back on an orderly footing.

The aim is to secure agreement that banks refinance existing borrowings as they fall due, and inject substantial amounts of new money.

Economy Ministyr officials in Buenos Aires said at the weekend that Argentina would like a large credit amounting to some $1.5bio from commercial banks, but bankers close to the discussions said it was too early to speak of concrete cooclusions.

Tha talks, begun in a climate of extreme aecrecy in Buenos Aires last week, were made possible by Argeotioa's decisioo to seek loans totalling SDR1.2bn ($1.3bn) from the International Monetary Food, as well as reciprocal lifting of financial sanctions against Britain.

So far they are believed to have coocentrated on assessing Argentina's real need for new money from commercial banks. The country bas precious few financial resources left, and was in arrears on foreign debt service payments by $2.3bn in June.

British bankers made clear at the weekend that a satisfactory solution to these debt problems would still depeod oo unwinding of the discriminatory effect of financial sanctioos which forced them to forfeit several hundred million dollars in debt payments.

A vital element of the talks has beeo efforts to find a way round this problem. Argentina cannot repay this money all at once, and would like principal payments refioanced for six months from the date at which they fall due.

This would stagger the repayments over the next six months.

Several British banks are unhappy with this idea, claiming that other banks did receive repayments from Buenos Aires after the sanctions were imposed in April. British banks are also pressing a claim for penalty interest on money they did not receive.

If a compromise on this point can be reached, Argentina may avoid a full-scale rescheduling in the Polish or Mexican style, bankers believe. This also depends on continued willingness of the Government of General Reynaldo Bignone to work with the International Monetary Fund.

Argentina bopes to secure agreement on ber IMF credit package by November. Sbe has already drawn some Sdr 318m ($350m) of unconditional finance from tha fund.

Continued from Page 1

Massacre

terrible massacre and Begin and Sharon must resign in the name of our future."

Anthony McDermott in Amman writes: Mr Philip Habib, U.S. President Reagan's special envoy to tha Middle East, arrived here yesterday for talks with King Hussain on the Lebanon and his plan for a federation witb the Palestinians. Mr Habib'a next destination is likely to be Damascus, capital of Syria.

The purpose of Mr Habib's mission is two-fold. The U.S. has always felt it necessary to keep Jordan—one of its key allies in the Arab world—fully informed about events in the area, especially after the massacres of Palestinians.

The second purpose is to outline Presideot Reagan's own plan for the Middla East. This involves some sort of association between the West Bank and the Gaza Strip—this would be the basis of a Palestinian state—and the East Bank. Kiog Hussain has been receptive to this and Amman therefore is a key destination for Mr Habib in his tour.

Continued from Page 1

Howden

and Liechtenstein companies secretly controlled by the directors to Sphere Drake. Although the U.S. group has attempted to recover money and assets from the Howden executies there is still a shortfall in assets of up to $25m in Sphere Drake.

To contain the shortfall, which is expected to rise, the U.S. group asked Mr Posgate to waive claims to the roll-over funds. Mr Posgate wanted the funds made over to the syndicale.

The roll-over funds were established with Sphere Drake out of syndicate funds by Howden to smooth out the effects of bad underwritting years in the syndicate, if necessary by ntilising cash from the funds when heavy insurance claims arose.

Doubts grow on Budget tax cuts

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MINISTERS are undecided about whether the amouot of money they expect to be available to "give away" in the next Budget—perhaps £3bn—should be giveo mainly to belp industry, or whether it should be used to improve incentives to work by raising tax thresholds and increasing allowances, according to Whitehall sources.

For two main reasons, a cut in the basic rate of income tax has been virtually ruled out: the first is a political desire to avoid making the Budget seem like an attempt to buy votes in the next general election.

It is argued that this would not accord with Chancellor Howe's emphasis on the need for a long-term structural cure for Britain's economic ills aod his contempt for the idea of a "quick fix."

The second argument is economic: the Treasury believes that Britain'a appetite for imports bas become so great that a large proportion of any general tax cut would go straight to foreign manufacturers. It would, therefore, give little help to British industry and domestic output.

Although imports acount for a little more than third of the UK's total income, the Treasury believes that up to 80 per cent of any extra spending power in consumera' pockets could go into imports. Tbis would also argue against the largest available relief through tax thresholds.

The total amount of any concessions is still uncertain since the Treasury has not completed its October forecast which will give Ministers an estimate for total revenues in 1983-84. This unpublished forecast will be the "dry run" for the published November forecast. Tbis year for the first time the November statement, which includes spending plans for next year, will give a clear indication of expected government revenue—and therefore of the room for manoeuvre in cutting taxes.

However, some preliminary estimates in the Treasury suggest that the Chancellor could have, perhaps, £3.5bn available, partly because oil revenues are expected to be more buoyaot than the Treasury estimated io March. Higher production rates and the atrength of the dollar could boost next year's sterling revenues by £1bn-£2bn above the £6bn estimated by the Treasury in March.

A 3bn or eveo £4mn tax cut in March would be small in comparison with the £121bn projected for the total of public spending. It is als osmall in comparison with the margin of error in forecasting public borrowing. Last year, for example, the total public sector borrowing requirement undersbot its target by more than £2bn.

Teh improved outlook for inflation—now expected to be running at an annual rate of 6½ per cent by the end of the year—has taken some heat out of the annual discussion of public spending. In the early summer, bids from thespending ministers suggested a rise of £5bn io the total, but prospect forecasts are now lower.

However, officials point out that the lower-than-expected rate of inflation will also cust the Governmeot's revenue from income tax and value added tax and will not create extra room for tax cuts.

These factors contribute to the Treasury'a optimism that it will be able to bold next year's spending total close to the planned £121bn. It believes that any increases it is obliged to concede—perhaps to defence—can be accommodated io the large contingency reserva of £4bn.

Because of the uncertainties about both expenditure and revenues for next year, discussions about the shape of next year'a Budgat are still tentativa. But battle lines are already being drawn up about whether the main emphasis should be on helping industry or improving tax incentives.

Some in the Treasury are still arguing for a further cut in the employers' National Insurance contribution—one of the main demands of the Confederation of Britisb Industry. Some senior ministers, bowever, believe that tbe recent improvemeot in industrial profits bas made this a lower priority.

Others want to see a reduction in the so-called "poverty trap," releasing low-paid workers who are caught in the income tax net and have little financial incentive to work, rather than accept unemployment and other state beoefits.

Mioisters would also like to improve incentives at higher levels of income. They are drawing a firm distinction now between specific tax measures aimed at improving incentives and promoting economic activity and the type of generalised tax cut promised in the last Conaervative Party manifesto.

CBI report, Page 5

International agency investigates mystery of the disappearing oil

BY RAY DAFTER, ENERGY EDITOR

OFFICIALS of the International Eoergy Agency are searching for about 2m barrels of missing crude oil a day—the equivalent of UK production in the North Sea.

Latest oil trade data provided by the agency'a 21 member countries, shows that in the past few months, worldwide oil supplies, including exports, bave been outstripping apparent consumption by between 2m and 3m barrels a day.

Officials, however, cannot explain where the oil has come from—tbe extra does not appear to bave been pulled out of stocks—or where it has gone.

Surveys also indicate that stocks have been run down to a point where some of the agency's member countries are breaking the IEA rules on minimum stock levels.

The unexplained surplus and the recent big changes in oil industry stocks are clouding the IEA's evaluation of the supply and demand balance in the world oil market.

The agency is wondering whether some countries are producing oil at a higher rate than generally assumed or whether world demand has plummeted to even greater depths.

Some of the 47 oil companies which provide information about supply, demand, and stocks, are also thought to be puzzled and concerned about the unusually large discrepancy in the figures. "If we do not know what is going on how can Opec (the Organisation of Petroleum Exporting Countries) tell what demand is running at?" asked one leading analyst. "This makes the fine tuning of Opec production extremely difficult."

Meanwhile, projections being prepared within the agency suggest that irrespective of the unexplained 2m b/d, Opec's unity and stable pricing strategy could come under reoewed pressure next year—particularly in the second quarter when, traditionally, demand slackens after tbe northern bemisphere's winter.

It is possible that demand in the April-June period could be further weakened by companies running down stocks in the expectation of a fall in prices. This has happened several times in recent years.

It is believed the IEA expects the 1983 demand from the non-communist world to fall slightly below this year's level of about 46m barrels a day.

Until recently, tha Paris-based agency had been projecting a higber demand next year. Current analysis, however, suggests it is unlikely that the 1983 demand for Opec oil will rise much above the present, third quarter, level of 17.5m barrels a day of crude oil and about 800,000 b/d of natural gas liquids.

On the other hand, there are signs that the marked run down of stocks, evident over the past 18 months, is coming to an eod.

This year, it is estimated, non-communist world stocks have been drawn down at the rate of about 2m b/d.

The slack oil market and lack of concern about supplies over the next few years bave led a number of IEA member countries to fall below the minimum requirement for strategic stocks. The members—virtually all the developed nations except France—bave agreed to maintain sufficient stocks to cover 90 days of net imports.

An agency report earlier this month identifies five countries breaking tha agreement (based on the 1981 level of imports): Ireland (35 days); Luxembourg (58 days); Portugal (87 days); Spain (89 days); and Turkey (48 days).

The report also shows that Opec's sbare of IEA's crude imports is continuing to fall, given the growing importance of exports from countries like the UK, Norway and Mexico.

In the second quarter last year, Opec provided 73 per cent of the imports of IEA member countries. In the present July-September quarter the proportion is expected to be nearer 62 per cent.

OIL BALANCE OF IEA MEMBER COUNTRIES
(m tonnes of crude oil equivalent)

	Supplies to IEA			IEA consumption		
	1980	1981	1982	1980	1981	1982
1 qtr.	459	409	379	462	423	402
2 qtr.	431	389	365	404	376	366
3 qtr.	416	389	376	402	386	370
4 qtr.	417	401		433	412	

Source: IEA

Agreement on coffee supplies

By John Edwards, Commodities Editor

AN INTERNATIONAL Coffee Agreement between leading exporting and importing countries was resolved in London during the early hours of Saturday morning after three weeks of negotiations.

The talks, aimed at bringing stability to the world coffee market, were concerned not only with negotiating a new agreement, to run for six years from October next year, but also to decide how much coffee should be available during the next 12 months in order to avoid a collapse in prices.

A total supply quota of 56m bags (of 60 kg each) was agreed to keep world prices within the existing range of 120 cents to 140 cents a pound.

The new pact marks an important co-operation between the industrialised world (represented by the U.S. and the EEC) and developing countries.

Under the agreement, the main burden of supporting prices is dependent on producing countries regulating export with a quota system, according to the state of the market.

The role played by consumers is to restrict imports from non-members of the agreement. The main issue at the London talks, therefore, was over the quotas assigned to tha main exporting countries.

News analysis, Page 5

Judges named

MR ANTHONY Barnard Hollis, QC, Mr Michael Mann, QC, and Mr Andres Peter Leggatt, QC, have been appointed high court judges. Mr Mann and Mr Leggatt have been assigned to the Queen's Bench division and Mr Hollis to the family division.

Cable and Wireless in joint venture with China

BY JASON CRISP

CABLE AND WIRELESS significaotly strengthened its position in China yesterday wben a letter of intent was aigned to establish a joint venture with the telecommunications authorities in Guandong Province.

The joiot veoture is to provide modern and sophisticated telecommunicatioos for exploratioo and production of oil in the South China Sea.

Cable and Wireless will form the veoture with the Guandong Posts and Telecommunications Administrative Bureau and China Nanbai Oil Joint Service Corporation.

Mrs Margaret Thatcher and Mr Liu Tian Fu, Governor of Guandoog, were present for signing of tha letter of intent in Guaogzhou.

The Cable and Wireless share in the venture bas not been agreed, bnt under Chinese law it should be between 25 per cent and 49 per cent. It is thought that the British company will hold more than the minimum allowed.

Prodnction from the South China Sea oilfields is expected to exceed that of UK North Sea oil.

Telecommunications requirements are expected to be substantial including satellite, microwave radio and advanced digital switching systems. The costs conld be £50m over a 10- to 15-year period.

The joint venture will provide services both for tbe oilfields and the service industries such as meteorology, helicopter transport, catering and diving. The system will be closely integrated with Guandong's public oetwork.

French PM 'will fight devaluation'

By David Housego in Paris

M Pierre Mauroy, the French Prime Minister, has repeated France's determination to stay within the European Monetary System and resist a further devaluation of the franc.

In an interview with the Financial Times, M Mauroy said the Government's stabilisation programme depended on holding the exchange rate steady. This was necessary both to reduce the size of the external deficit and to secure a durable lowering of the inflation rate.

The strength of the dollar, increased prices for oil and raw material, and the continuing world recession all meant that the arguments of the 1960s on the beneficial effects of a devaluation had ceased to be valid.

The French Government would thus stand firm behind the existing parity of the franc. In support of this, he recalled that France had recently decided to reinforce the defence of the franc by a $4bn (£2.3bn) commercial loan.

The Prime Minister said he believed the international financial market still did not fully appreciate the scope and severity of the measures his Government had taken since June to bring down inflation and renovate the economy. The Government was reinforcing its prices and incomes policy through rigorous budgetary and monetary control.

Interview, Page 14

Democrats

Continued from Page 1

from their 46 per cent in the last election in 1978—the Social Democrats, under Herr Holger Boerner, Hesse prime minister, were estimated to have suffered only marginal losses from their 44.3 per cent in 1978.

This can only be attributed to a massive vote of sympathy for Herr Schmidt. Only the Greens, the party dedicated to environmental protection and disarmament, performed as expected and cleared the 5 per cent hurdle for the first time. Last night Herr Boerner again refused a formal coalition with a party he claims is not committed to parliamentary government.

This might suggest a repeat of the experience at the last regional election in Hamburg, where a new poll seems the only solution after the failure of the local Social Democrats and Greens to agree. However, Herr Boerner hinted last night he will try to govern the state by drawing support from the ranks of the CAU.

The failure of the Christian Democrats to achieve a clear majority in Hesse, however, undermines those like Herr Franz Josef Strauss, leader of the Christian Social Union, who have argued for early elections and a conservative government without the Free Democrats.

Weather

U.K. TODAY

WINDY, with beavy ahowers and gales in exposed places.

London, S. England, S. Wales, Midlands, N., N.E. Scotland, Borders

Dry, bright start, windy with showers. Max. 13C (55F).

Rest of England, Scotland and Wales, N. Ireland

Rain early, becoming brighter with showers. Windy. Max. 14C (57F).

Outlook: Unsettled, windy, temperatures near or below normal.

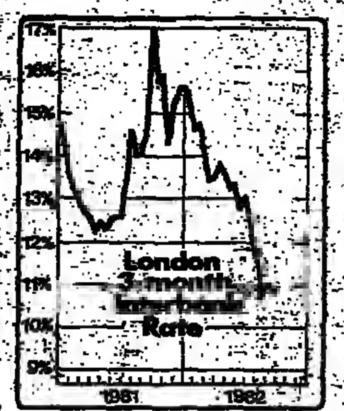
WORLDWIDE

		Y'day midday °C	°F			°C	°F Y'day midday
Ajaccio	F	30	86	Montrl†	Fg	11	52
Algiers	S	29	84	Mosc'w*	C	21	70
Amsdm*	C	16	61	Nassau*	F	33	91
Bahrain*	S	35	95	N. York*	F	21	71
Beirut*	S	23	73	Nicosia	S	27	81
Belgrd.*	S	26	79	Oporto	C	19	66
Berlin*	S	25	77	Oslo*	R	14	57
Boulgn.	C	16	61	Paris*	C	18	64
Brus'ls*	C	12	54	Perth*	C	20	68
Budpst.	S	24	75	Prague	F	19	66
Cairo*	S	32	90	Rykjvk	C	9	48
Cas b'ca	C	21	70	Rhodes	F	27	81
Chicg.†	Fg	10	50	Rio J'o*	C	31	88
Cpnhgn*	C	17	63	Rome*	C	28	82
Corfu	S	28	82	Salzbrg	S	26	79
Denver†	R	15	59	S'cisco†	F	14	57
Dublin*	R	14	57	Singpr.*	F	32	90
Dbrvnk.	S	27	81	S'tiago*	F	24	75
Faro	F	21	70	Stckhm*	F	16	61
Frankft.	C	22	72	Strasbg.	R	17	63
Funchal	S	23	73	Sydney*	F	25	77
Geneva*	S	21	70	Tangier	F	21	70
Helsinki	F	15	59	Tel Aviv	F	27	81
H Kong*	C	28	82	Tenerife	S	25	77
Istanbul	F	25	77	Tokyo*	F	30	86
Jo'burg*	S	24	75	Tr'nto†	C	11	52
Locarno	R	22	72	Tunis	S	30	86
London*	F	17	63	Valencia	C	22	72
L. Ang*	C	26	79	Vienna*	C	16	61
Madrid*	F	21	70	Warsaw	S	19	66
Miami†	C	28	82	Zurich	F	20	68
Milan	F	19	66				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny.
† Noon GMT temperatures.
*Maximum temperatures

THE LEX COLUMN

The City's lease of LIFFE



The Royal Exchange is already bustling with energetic traders who have spent months learning either sign language or the recondite jargon of financial futures. On Friday alone, 1,100 bypothetical eurodollar contracts were traded. The real action, bowever, will begin on Thursday when the Governor of the Bank of England is due to make some appropriate remarks about London's historic role as a financial centre and inaugurate the new market.

At this stage, there is still wide disagreement about whether the market will generate sufficient liquidity to make it a useful tool for the corporate treasurer or fund manager. LIFFE's architects have admittedly ironed out a number of creases over the past year. The problem of ensuring even supply and consistent credit quality in the dollar interest rate contract has been resolved by switching from bank certificates of deposit to eurodollar deposits and a satisfactory basket of securities has been found to support the long-dated gilt-edged contract.

The Inland Revenue has provided rough and ready guidelines for the market, although its judgments will almost certainly be tested in court. As matters stand, taxed institutions may be able to use the gilt-edged contract to establish fiscal year-end tax losses, which can subsequently be unwound. Alternatively, capital gains may be deferred by bolding the underlying security and hedging the risk of a rise in interest rates through the future.

But, overall, the Inland Revenue has been less than generous to the new market. The general position is that institutions will escape with capital gains tax liability only when they can establish that the futures contract is being used purely as a hedging transaction. So a pension fund will lose its exemption and be assessed on its trading profits if it is dealing actively in the market.

Given these limitations, institutional investors may confine their activity in the market largely to the hedging of anticipated cash flows. Apart from anything else, fund managers doubt their own ability to persuade trustees that futures are a most wonderful invention. As in the traded options market, trust deeds alone may prevent some fund managers from participating.

The corporate treasurer, however, could use the gilt-edged contract to lock into a fixed cost of funds, in anticipation of bringing a loan stock issue to the cash market. It will be some time, however, before trading in gilt-edged futures has developed enough breadth to enable a BOC to hedge £100m.

At least the corporate treasurer could be studying the long-term options and becoming acquainted with the market—hands up who knows what a fill or kill contract is? So far, despite innumerable seminars, there is not much sign of real interest from the corporat sector.

For this the financial intermediaries must take some of the blame. LIFFE has seen its job as the education of market members, not end-users. There is little evidence that the clearing bankers who attended intensive courses bave been beating paths to their corporate clients.

The first contracts to develop a decent degree of depth may well be the time deposits. They will also be early starters—the Eurodollar future will set the ball rolling together with the sterling/dollar contract on Thursday. The deposit futures will enable a finance director, faced with a project on which returns are expected to be marginal, to establish his cost of funds well in advance. By straddling the market, interest costs can be fixed for an almost indefinite period.

In some cases, the market will enable banks to provide their customers with a wider range of financing options. Banks will be able to fine-tune the maturity of their liabilities and so provide borrowers with a range of roll-over dates on floating debt.

It is inevitable that LIFFE will bave teething problems and that technicians will be busy reprogramming the market's many computers. It is even likely that some of the seven initial contracts will fail and be withdrawn. But the real success or failure of LIFFE will probably be determined by the willingness of commercial and institutional companies to make use of it. A futures market needs technical operators in order to function efficiently. But their activity cannot of itself sustain a living market.

Plessey

Plessey was trying months ago to buy the Stromberg-Carlson public telephone exchange business from General Dynamics, but GD would not unbundle its lines, and sold the bulk of its telecommunication interests to United Technologies instead. Now UT has sold Plessey what it wanted to start off with. From the British company's point of view the purchase is largely a matter of strategic positioning.

The increasing internationalisation of telecommunications, and the relatively slow growth—by world standards—of the UK industry, argue for a bigger Plessey presence overseas. And the break-up of the AT & T monopoly potentially doubles the accessible U.S. public switch market. In particular, Plessey hopes that digital switches, in which Stromberg-Carlson has invested $80m on the development of its product, will prove attractive to Ma Bell's offspring.

Even without AT & T, Plessey is enthusiastic about Stromberg-Carlson's market position with independent telephone operators and with the rural electrical authorities. Operating losses running recently at $9m per annum in part reflect heavy development spending, and Plessey feels there are benefits to be had in taking the U.S. company back into transmission, exporting components to it from the UK and generally indulging in transatlantic technology transfer.

Identification as a U.S. manufacturer should also be increasingly useful in a world hedged about with non-tariff barriers. Plessey is paying net asset value of roughly £39m—with the goodwill of the Stromberg-Carlson name thrown in—and the company will be consolidated for the second half of the financial year to March. After financing costs, it is likely to depress the pre-tax profit by roughly £5m for the year, and earnings by something like a penny a share. That looks modest for the cost of getting hold of a U.S. public exchange manufacturer, to whom all lines tend to be busy.